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RDWR - Q2 2018 Radware Ltd Earnings Call

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PRESENTATION

Operator

Good morning. My name is Kim, and I will be your conference operator today. At this time, I would like to welcome everyone to Radware's Q2 2018 Earnings Conference Call. (Operator Instructions)

Anat Earon-Heilborn, Vice President, Investor Relations, you may begin your conference.

Anat Earon-Heilborn

Thank you, Kim. Good morning, everyone, and welcome to Radware's Second Quarter 2018 Earnings Conference Call. Joining me today are Roy Zisapel, President and Chief Executive Officer; and Doron Abramovitch, Chief Executive Officer. A copy of today's press release and financial statements as well as the investor kit for the second quarter are available in the Investor Relations section of our website.

During today's call, we may make projections or other forward-looking statements regarding future events or the future financial performance of the company. We wish to caution you that these statements are just predictions, and we undertake no obligation to update these predictions. Actual events or results may differ materially, including, but are not limited to, general business conditions and our ability to address changes in our industry, changes in demand for products, the timing and the amount of orders and other risks detailed from time to time in Radware's filings. We refer you to the documents the company files from time to time with the SEC, specifically, the company's last Form 20-F as filed on March 28, 2018.

Please note that in August management will participate in the Oppenheimer Technology, Internet and Communications Conference in Boston, the D.A. Davidson Technology Forum in New York and the Jefferies Investor Summit Conference in Chicago. In September, management will participate in the Dougherty & Co Institutional Investor Conference in Minneapolis.

With that, I will turn the call over to Doron Abramovitch.



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Doron Abramovitch - Radware Ltd. - CFO

Thanks you, Anat, and good morning, everyone. We reported today another strong quarter with continued momentum in bookings and revenue growth and an increase in profitability. We are pleased to report that we met or exceeded our guidance in all parameters. Revenues for the second quarter were \$57.3 million towards the high end of our guidance and up 12% year-over-year. Revenues from the Americas were down 2% year-over-year and accounted for 42% of total revenues. Revenues from EMEA increased 51% year-over-year and represented 34% of total revenues. And revenues from Asia Pacific were at the same level as last year and represented 24% of the total. As we've highlighted in the past, our business model creates quarterly fluctuations in revenue recognition. We believe that the 6-months revenue growth gives a better indication of the original trends. For the first half of 2018, revenues from the Americas were up 13% year-over-year, revenues from EMEA were up 26% from H1 last year and revenues from Asia Pacific were down 3% year-over-year.

Once again, we delivered growth in product and service revenues as well as faster growth in subscription revenues. Recurring revenues that include subscription and support represented over 60% of total Q2 revenues.

I will discuss now expenses and profit all in non-GAAP terms. A detailed GAAP to non-GAAP reconciliation is presented in the financial table accompanying our press release as well as in the investor kit posted on our website.

Non-GAAP gross margin for the second quarter was 82.4% compared with 82% last year, and non-GAAP operating expenses were \$43.3 million compared with \$41.7 million in Q2 2017.

Operating expenses increased from last year mainly because of higher sales commission and moderate increase in marketing expenses. Headcount at the end of June was 970 at the similar level as in the past few years. Maintaining a stable headcount and other cost control efforts enabled us to deliver operating leverage as revenue grow, and in Q2, we made noticeable progress towards our long-term profitability goals. Our non-GAAP operating profit was approximately \$4 million and represented a 7% operating margin in Q2 2018 compared to an approximately breakeven in Q2 '17. Non-GAAP tax rate for this quarter was approximately 13%. Non-GAAP net income was \$5 million or \$0.10 per share diluted, exceeding our guidance for \$0.07 to \$0.08 per share and up from net income of \$1.2 million or \$0.03 per share diluted in Q2 '17.

We ended the second quarter with approximately \$367 million in cash and financial investments. As of the end of June, we have total deferred revenues balance of approximately \$153 million, up 14% from approximately \$133 million as of the end of June 2017.

Our total deferred revenues balance continues to grow at the higher rate than revenue, reflecting our business model, which calls for a growing proportion of cloud and subscription sales. In the coming 12 months, we will recognize as revenues approximately \$97 million out of this total balance or 64%. This compares with \$83 million or 63% last year.

And now to our outlook for the third quarter of 2018 and full year 2018. We expect Q3 revenues to be between \$57.5 million and \$59 million, non-GAAP gross margin to be approximately 82% and non-GAAP operating expense to be between \$43 million and \$44 million. We expect tax rate to be approximately 14%. Non-GAAP EPS for Q3 is therefore expected to be between \$0.10 and \$0.11.

With the first half of the year behind us with results that were at the high end of our initial expectations, we are now in a position to update our full year guidance. We now expect full year revenue growth to be at 10%, up from our prior guidance of 8% to 10% growth. Our total deferred revenues growth is expected to continue and exceed revenue growth. There is no change to the other elements of our guidance.

I will now turn the call over to Roy.

Roy Zisapel - Radware Ltd. - Co-Founder, CEO, President & Director

Thank you, Doron. We are pleased to report another strong quarter. Once again, we delivered double-digit revenues and total deferred revenue growth, book-to-bill significantly higher than 1 and the continued increase in profitability. Because of these strong trends and the visibility we have into future revenue streams, we are able to increase our guidance for the full year.



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The cyber threats landscape continues to evolve and the threats grow more complex, our innovation around adaptive and analytic-based early attack detection, surgical mitigation and advanced automation become more and more valuable.

Additionally, we see not just the need to deliver strong technology and solutions, but also the need to partner with our customers and prospects on the business impact and strategic management of the ever-changing cyber threats landscape.

In the last few months, we witnessed a significant increase in the popularity of burst attacks - attacks that are very short and just a few seconds long - as well as an increase in applicative attacks. Recently, for example, one of our customers experienced long-lasting highly volumetric quickly morphing DDoS attacks over several weeks that aimed to severely damage the business operations through bringing down its services. The attacks included multiple layer 4 vectors, layer 7 vectors, layer 4 attacks hiding in legitimate connections, multiple reflection vectors, IoT, botnet attacks and burst DDoS attacks morphing within minutes. Trying to fight against such attacks with legacy techniques such as rate limiting or manual tuning of security profiles is useless. Our machine learning algorithm, automated real-time signature creation and the multi-layer architecture of our cloud scrubbing centers proved again their success in coping with the most advanced attacks out there.

Our focus on cloud and security is clear. And here I would like to dive deeper into our traction in the market and our solution offerings.

Starting with market traction, we had a very strong quarter for our cloud offering with significant booking growth. Our hybrid security offering is a distinct competitive differentiator. Let me share an example with you. In May, we announced we further expanded our business with a major SaaS provider, who chose to deploy our solutions in 3 additional data centers. They implemented our hybrid cloud DDoS protection and SSL protection along with a fully managed service by our emergency response team. Since the announcement in May, the customer has placed an additional order further expanding our footprint.

Yet another example from Q2 is with a U.S. investment bank, who has been using a competitive solution that provided cloud-only attack mitigation. From a business impact perspective, the bank was seeking to reduce network latency and time to mitigate attacks by adding an on-premise solution. Radware hybrid on-demand solution compared favorably to other hybrid offerings due to our industry-leading algorithms and defense messaging technology. Furthermore, the bank was impressed by our automation capabilities and fully managed solutions.

The focus on cloud and security spans across our portfolio, including ADC. In ADC, we continue to invest in holistic solution, which enables customers to gradually migrate their data centers to private or public cloud. We do this through our GEL offering, Global Elastic License. The flexible consumption model for our ADC solution, designed to be responsive to enterprise business demands, enables customers to provision, scale up and down and migrate ADCs between environments regardless of where the applications are deployed, on-premise or in the cloud.

The first implementation of our GEL offering is with a global European-based customer, who needed highly scalable and flexible ADC capabilities for a new application to support their business expansion strategy. The customer has been using a competing ADC solution and has been gradually migrating to Radware. For this new application, they required flexibility, the need to provide Web Application Firewall as part of the solution and built-in automation, all of which are part of our GEL offering, making it the perfect fit.

In Q2, our relationship with Cisco expanded to include our virtual DDoS and virtual Web Application Firewall offerings as well as our cloud DDoS and cloud WAF solutions. This means a Cisco customer can now purchase our cloud solutions and our stand-alone virtual security product offerings directly from Cisco in addition to the virtual DefensePro FirePOWER module that already exists.

In summary, we are very pleased with our results for the second quarter and the first half of 2018. Results that reflect continued growth in revenues and profitability. We made meaningful progress against our strategy, putting us in front of larger, higher-value opportunities. We continue to develop our offerings and focus our innovation around cloud and cyber security solutions. The traction in the business together with our fast-growing subscription business model are laying a strong foundation for our future growth.

And with that, I would like to open the call for Q&A.



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Operator

(Operator Instructions) Your first question comes from George Notter from Jefferies.

George Charles Notter - *Jefferies LLC, Research Division - MD & Equity Research Analyst*

I guess, I wanted to start just by talking about or asking about some of the new products that you guys have coming out. I believe, a few quarters ago, you guys came out with a new line of DDoS mitigation appliances that now support SSL encryption and decryption among other features, and I guess, I'm just curious about the acceptance rates you're seeing for that product from customers? What mix of SSL appliances do you think you're seeing now? And where might that next go in the future?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Okay. So I think the new line of the DefensePro had major advancements in several areas. One is, as you've mentioned, the SSL, meaning the ability in the box to deal with encrypted attacks leveraging all the algorithms we have. The second was about coping with next-generation DNS, attacks on DNS services, and the third was burst attacks. The threat landscape actually evolved very much in line the direction of what we've developed. I just mentioned in my comments some examples of customers that experienced very sophisticated burst attacks. And frankly, without the -- our new solution, there is no way, I believe, in the market to cope with such attacks today. And also the improvement in the DNS and SSL are major. What we're seeing from customers is a strong movement for projects for upgrading their infrastructure to, what we call, the DefensePro version 8, and the pipeline there is very strong. There is discussions both with small customers as well as our varying -- our top largest customers that are delivering DDoS as a service, all of them see the clear need to migrate to this next-generation solution. I believe some are entering in 2018 and also helped us, of course, in Q2 and some will be for '19, but definitely, very strong traction across all our installed base.

George Charles Notter - *Jefferies LLC, Research Division - MD & Equity Research Analyst*

Got it. What do you think the mixture of your DDoS appliance sales look like right now? The newest hardware versus the older product line? And then where might that mixture go going forward?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

I don't have it in front of me, but out of new sales, I would assume the majority are already the new appliances. Going forward, I believe, it's going to get very close to 100%. I think, the most exciting opportunity is refreshing the current base. As the threat landscape evolves, they need to have stronger, better solutions. And I think the easiest thing and the most natural thing for them to do is simply to upgrade to our newer products. So the opportunity is not only the new customers we're meeting or some of the expansion, the opportunity is actually the complete installed base of the DefensePros that -- until we release this platform, didn't have, I would say, a platform to upgrade to. Now they have a very strong solution and in line, what I think, is most important, it's not only about CPU speeds and feeds. It's in line with the evolving threat landscapes. Those are the attacks that are out there right now.

George Charles Notter - *Jefferies LLC, Research Division - MD & Equity Research Analyst*

Got it. And then one thing we were looking at was just this idea that these new hardware platforms come at higher selling prices from Radware. Is that accurate? And how much higher do you think the ASP would be vis-à-vis a similarly configured legacy version of product?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

I think that depends on the exact capacities and speeds. But I think it varies between 10%, maybe, to 30% increase. And of course, if you add to that SSL, and we believe the take-up rate of SSL, given it's now integrated, will be higher than before when there was a 2-box solution. So I think,



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they are going to be multiple parameters, increasing take-up on SSL and the increasing platform price both would contribute nicely to this product line.

Operator

Your next question comes from Alex Henderson from Needham & Company.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

First, I'd like to start off with the U.S. results down a couple of percent year-over-year. I'm assuming that, that is just lumpiness, but I was wondering if you could give us a little bit more granularity on what exactly happened there? And conversely, was there a couple of large contracts that spiked the European business? I mean, up 51% is pretty surprising.

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. So as Doron mentioned in his comments, we do have some lumpiness in our numbers on a quarterly basis, especially from large orders from the very large carriers and so on. However, I think if you look on the first half or even the last 12 months, I think you would see a more realistic picture of the underlying growth we're seeing also in our booking numbers. So I would say, if you look on the U.S. for '18 -- on the Americas for '18, it's a double-digit growth, a bit higher than the company. We do have very good business in Europe, and we think we're executing there well, and APAC is relatively flat. And I would assume in the coming quarters there will be a convergence to the mean across the regions.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

So is this a couple of large service providers in the year ago or -- that caused the U.S. weakness and the enterprise in the U.S. was actually strong? I mean, clearly, looking at the split between enterprise and service provider, enterprise grew very nicely and service provider is fairly flat. I assume that that's a comparison issue in service provider.

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes, I agree with that. And also, we had also a couple of orders, maybe, slipping in the U.S. and so on. So I think the U.S. could have done better but when I look on the first half, it's above the growth of the company, and we believe also going forward we can maintain strong growth rates there. There's definitely a lot of opportunities and a lot of the wins I discussed in the call are large U.S. wins from Q2. So this quarter mathematically doesn't look that nice, but take everything together, it's our strongest market.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

Going back to the service provider business, can you talk a little bit about within the service provider, I think, you include the security as a service companies that -- you're protecting their services as a service provider, so a salesforce.com type SaaS company would be in there. Can you talk about how rapid growth -- what kind of rapidity of growth you have there? And how big a percent of service provider that SaaS segment of service provider has become?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Okay. So definitely SaaS is a very fast-growing area for us and -- because their business is the application, so the criticality of the service is obviously clear. And there's no ability to go down even for seconds. And as a result, they really need the best detection out there and very automated mitigation. They don't have time for security analysts, et cetera, to look into that. Add to that the fact that most traffic of today's SaaS companies



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is encrypted and our advantages in blocking encrypted attacks, that's almost a perfect segment for us. And we've advanced our market share considerably in the past 12 to 18 months in this segment. If they are growing their business and if they are opening more data centers, they are connecting and protecting them with our devices and they're adding those additional assets to the cloud contract they're signing with us. So we are, I would say, almost growing linearly with their footprint growth across the world, and we keep adding more and more SaaS providers. Regarding the -- their percentage out of our total carrier, we don't break it up, but it's a very fast-growing segment for us.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

And so you're growing faster than the SaaS market because the SaaS customers you're growing linearly with them and you're gaining share. How much variance would I see, if I were to look at the share within SaaS versus the share within, say, service provider relative to your competition? Is it a much higher market share in that segment?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

I think, today it is. Yes, I think, today we are more leaning towards SaaS providers and infrastructure as a service providers than we were in the past. I think our competition is still much more dependent on the, I don't want to call them legacy, but the regular service providers or network carriers as we know them.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

All right. So one more question and I'll seed the floor. The multitenant architecture in cloud, where are you in terms of moving to a multitenant cloud architecture and getting away from some of the more hardware-based products that have historically been in the -- in your footprint?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Okay. So today, all of our cloud solutions are multitenant architecture by design. And they're using a mix of virtual and physical appliances, for example, in high-capacity DDoS scrubbing centers, there will also physical appliances, but the whole architecture is completely multitenant with hundreds of tenants running in production on our cloud infrastructure.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

Can you give us a sense of what percentage of your business is currently tied to that cloud architecture?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Not at this point, Alex.

Operator

Your next question comes from Ittai Kidron from Oppenheimer.

Vinod Krish Srinivasaraghavan - *Oppenheimer & Co. Inc., Research Division - Associate*

This is Vinod Srinivasaraghavan, on for Ittai. I'd like to dig into the deferred revenue trends, short-term, deferred, including unbilled goes up year-over-year, but it was only up about 1% sequentially. Can you give us some color behind these trends?



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Roy Zisapel - Radware Ltd. - Co-Founder, CEO, President & Director

Yes. So we had a 14% growth in total deferred revenues year-over-year, which is higher than the 12% growth that we presented in the revenues. And therefore, it's in line with the model that we presented that called for this type of relationship. A few comments about this growth rate, if you compare to Q1. Recall that total deferred revenue doesn't really reflect the full bookings. We mentioned that some deals that were not yet invoiced are not part of this balance. Also, cloud and subscription deals that are billed monthly or quarterly also are not part of this deferred revenues or total deferred revenues. As said, our book-to-bill ratio in the second quarter was significantly larger than 1. So it means that whatever we didn't invoice this quarter, we will get it in the next quarter in a way most of this aspect went to the growing backlog that is now a higher than ever. And my last comment, I still recommend to review the total deferred revenues year-over-year, it reflects the trend and, as said, 14% just give you a few numbers, the second quarter '18 compared to the first quarter, we grew by 3%, as you mentioned. Last year, it was 4% and the year before it was almost 0. But at the end of the day, in the last 2 years, it was more than double-digit growth. And this year we also mentioned that it will be more than this. So look at the trend, it's better to view the 14% that we grew in the second quarter.

Operator

Your next question comes from Mark Kelleher from D.A. Davidson.

Mark Daniel Kelleher - D.A. Davidson & Co., Research Division - VP & Senior Research Analyst

Maybe, you could -- would it be possible to give an update on Cisco and Check Point, how are your OEM partners doing?

Roy Zisapel - Radware Ltd. - Co-Founder, CEO, President & Director

Okay. So I think we've seen in both positive movements. I think, in both of them, we are expanding our portfolio. In my comments, I've mentioned, and I think it's a very significant advancement we've done with Cisco is that now they carry from us product in the portfolio and their sales people are getting quota retirement and full commission on products that are not only tied to FirePOWER. So initially, our deal with them was OEM of a DDoS model inside their next-generation firewall, which is called FirePOWER. And obviously, there we are selling whenever they're selling the FirePOWER, and we're trying to get the attach rate high for the DDoS module. What Cisco now did is that they've expanded the Radware portfolio within the Cisco portfolio, and it now includes, first of all, the Web Application Firewalls, both the WAF virtual appliances as well as the WAF cloud service. They took on the full hybrid architecture that I've mentioned in my notes and now on top of the VDP model for FirePOWER, they're starting to promote the cloud DDoS by rather and they also added our virtual appliances for DefensePro if a customer is not interested in a firewall. Last, but not least, also the visual ADCs are now part of the Cisco price list and portfolio. So we're seeing now a much bigger opportunity with Cisco and an opportunity that is spanning the whole security business, not only the FirePOWER business, we already -- they already booked with us in Q2, which was the first quarter for that, a Fortune 50 win in cloud DDoS that they brought to us with a very fast sales cycle. And we continue to be very encouraged. Our sales team is very upbeat on the -- across the globe by now on the Cisco relationship. There's constantly meetings almost daily about mapping new accounts and meeting customers. It definitely can be an extremely strategic opportunity for us going forward and we're seeing the pipeline, the orders growing.

Mark Daniel Kelleher - D.A. Davidson & Co., Research Division - VP & Senior Research Analyst

And regarding Check Point?

Roy Zisapel - Radware Ltd. - Co-Founder, CEO, President & Director

Yes, please?

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Mark Daniel Kelleher - *D.A. Davidson & Co., Research Division - VP & Senior Research Analyst*

Go ahead.

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

In regards to Check Point, the relationship is still in the same form as it was. Last quarter was relatively good performance. We are expecting also this quarter continued growth, and we are working with them to see how to grow even further the relationship. We are meeting their Head Executives this month, and we'll see how we can take the relationship even further. Overall, our OEM business produced very good results in Q2. We were very satisfied with the level of business we're getting, and we are optimistic for the future.

Mark Daniel Kelleher - *D.A. Davidson & Co., Research Division - VP & Senior Research Analyst*

All right. Turning to the model. You had a nice uptick in operating margin. Do you have some goals there? What's the long-term expectation there? Where can you take that as revenue increases and leverage increases?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. So we mentioned in the long-term model that we presented in last February that we see, as started in 2017 almost close to 0, that we will add in, let's say, 2020 in a way -- in the around 15%. This quarter, we managed to get a 7%. So the leverage is there, and as long as we will continue to keep our headcount flat and to invest as we did in this quarter. In sales and marketing, we will get the right leverage.

Operator

Your next question comes from Joseph Wolf from Barclays.

Joseph Eric Wolf - *Barclays Bank PLC, Research Division - MD & Head of Equity Research*

Just continuations of a couple of questions. If you look at the Cisco relationship, it was my understanding that after a year or so these customers became, sort of, Radware direct relationships when it came to renewals. So I guess, do you have any commentary now that you've been selling for a while on how that's converting into Radware relationships? And then the products that you've added that you've just described in detail, are those exclusive areas? I thought for DDoS, Radware might be the exclusive connections for FirePOWER sales. With the other products, how is -- is there exclusivity? Or is there a choice among other vendors?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Okay. So first regarding the Cisco agreement, the Cisco customers continue to be Cisco customers. They are not migrating after 1 year to us according to the contract. A customer might choose, for example, under a cloud operation to source it directly from Radware. However, from a relationship perspective, we encourage the customers to continue to work, if they are a Check Point customer, with Check Point; if they are a Cisco customer, with Cisco. We're trying to actually grow these relationships and encourage customers to stay with their provider of choice. And regarding the products, although the contract itself is not exclusive, we are the only cloud DDoS, cloud WAF on the Cisco price list, and we are the only, of course, integrated DDoS module in FirePOWER. We don't know of any Cisco intention to change that situation. Quite the contrary, they're adding more and more solutions with us. And I think, we can add, in the future, even more options to other products through Cisco. So definitely the relationship is getting stronger and the partnership is healthy.



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Joseph Eric Wolf - *Barclays Bank PLC, Research Division - MD & Head of Equity Research*

Okay. And then, I guess, on the geography, could you talk about the -- is there a bias one where the other in terms of the types of products or services that are being sold, is some of the strength in your, sort of, a catch up with the U.S. in terms of a move to subscriptions and services? And then if we look at this -- and just overall a question about the deferred revenue in the services, is this 60% to 65% sort of the cap? Or should -- can that even grow up -- can that grow higher in terms of recurring revenues?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Okay. So first, it's clear that cloud and subscriptions are the strongest in North America and they are evolving and they're growing now quickly in EMEA, the -- I would say, the last region, although there are some differences between countries, the last region to adopt cloud services and cloud computing as a trend is obviously APAC. So I think we're seeing that also in our numbers, in our trends. Although in the past several quarters, we're seeing very strong demands in Europe for more cloud solutions, more subscriptions, and we enjoy a strong growth there.

Doron Abramovitch - *Radware Ltd. - CFO*

As for the 60%, 65%, this is another indication that we started while ago to provide, leave aside the nature of the business and the product, but to make sure that this is how we measure our contract that we don't really sell in a way the future. So we keep it to represent in a way that a bit less than 1.9 years average contract that is part of our deferred revenues. So you can see that it's very stable in last, I say, 2 years and is in range of 60%, 65% meaning that whatever we say, if it's subscription cloud or mainly or other services, it's still in this around less than 2 years contract that we are left with.

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

And the last figure we've mentioned is that 60% of our total revenues are coming today from annuity-based offerings and that number will grow as we grow our cloud subscription and product subscription business on top of our renewal. So I think those 2 metrics we've shared: one, the roughly 65% out of our total deferred to be recognized in the coming 12 months, and that's pretty stable as our contract lengths are not changing and the growth you're seeing is the real business growth behind it. So that's one figure we've shared. And the second figure, 60% of our revenues in a quarter coming from annuity offerings, that number is trending up.

Operator

Your next question comes from Zach Turcotte from Dougherty.

Zach Turcotte - *Dougherty - Analyst*

Zach on for Catharine Trebnick. First, just wondering what your win rates are like for DefensePro? And if you're still -- are you leading most deals with DDoS Protection?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. So we're leading in most deals with security overall with the attack mitigation concept. DDoS is being one of key vectors for us to win on as well as web security and the complete attack data center, attack mitigation. When it's DDoS only or attack mitigation, our win rate continue to be extremely high.

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Zach Turcotte - *Dougherty - Analyst*

Okay. And then can you just give me kind of a sense of what you see as far as the current competitive landscape for virtual ADC? And do you still expect your ADC business to be growing like in the single-digits despite that market forecast to be pretty much flat?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes, we are.

Zach Turcotte - *Dougherty - Analyst*

All right. Nothing on the (inaudible) landscape?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

The landscape is not changing much. I think, actually some of the players are investing away from the market. I think if you look at FFIV, some of the moves by Citrix, I don't know about A10, but definitely, I see FFIV investing a lot more and trying to move to security and other areas. So the investments in the core ADC functionality by our competition, I think, has reduced. And I think, it's favorable to our strategy. We continue to invest, as we've mentioned several times, we pivot ADC around security applications for ADC and around cloud, and we see growth potential in both, and it reflects also in our numbers. ADC is a growing business for us.

Operator

There are no further questions. I now turn the call back to Roy Zisapel.

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Thank you, everyone, and have a great day.

Operator

This concludes today's conference call. You may now disconnect.

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