



# **Q2 2010 FINANCIAL RESULTS CONFERENCE CALL**

**TUESDAY, JULY 20, 2010  
1:45 P.M. PACIFIC TIME**

Kevin Johnson, Chief Executive Officer  
Robyn Denholm, Chief Financial Officer



## **FORWARD LOOKING STATEMENTS**

Information, statements and projections contained in these presentation slides and related conference call concerning Juniper Networks' business outlook, economic and market outlook, future financial and operating results guidance, and overall future prospects are forward looking statements that involve a number of uncertainties and risks. Actual results could differ materially from those anticipated in those forward-looking statements as a result of certain factors, including: general economic conditions globally or regionally; business and economic conditions in the networking industry; changes in overall technology spending; the network capacity requirements of communication service providers; contractual terms that may result in the deferral of revenue; increases in and the effect of competition; the timing of orders and their fulfillment; manufacturing and supply chain constraints; ability to establish and maintain relationships with distributors, resellers and other partners; variations in the expected mix of products sold; changes in customer mix; changes in geography mix; customer and industry analyst perceptions of Juniper Networks and its technology, products and future prospects; delays in scheduled product availability; market acceptance of Juniper Networks products and services; rapid technological and market change; adoption of regulations or standards affecting Juniper Networks products, services or the networking industry; the ability to successfully acquire, integrate and manage businesses and technologies; product defects, returns or vulnerabilities; the ability to recruit and retain key personnel; significant effects of tax legislation and judicial or administrative interpretation of tax regulations; currency fluctuations; litigation; and other factors listed in Juniper Networks' most recent report on Form 10-Q filed with the Securities and Exchange Commission (SEC). All information, statements and projections contained in these slides and related conference call speak only as of the date of this presentation and related conference call. Juniper Networks undertakes no obligation to update the information contained in these slides and related conference call in the event facts or circumstances subsequently change.

## **USE OF NON-GAAP FINANCIAL MEASURES**

These presentation slides contain references to certain non-GAAP financial measures. For detailed reconciliation between the non-GAAP financial results presented in these slides and corresponding GAAP measures, please refer to the appendix at the end of this slide deck. In addition, for important commentary on why Juniper Networks considers non-GAAP information a useful view of the company's financial results, please see the Form 8-K filed today with the SEC. A reconciliation for non-GAAP guidance measures is not available on a forward-looking basis due to the high variability and low visibility with respect to the charges which are excluded from these non-GAAP measures.

# BUSINESS CLIMATE

Economic recovery varies by region

**Juniper delivers growth:  
24% YOY and 7% QOQ**

**Growth in all geographies:  
Americas, EMEA, Asia/Pac**

**Service Provider  
growth of 21% YOY**

**Enterprise  
growth of 31% YOY**

# PROGRESS AGAINST STRATEGIC AGENDA

## Service Provider Grows 21% YOY



MX 3D



SRX

- Ramp in MX 3D edge router demand
- Release of Traffic Direct
- Growth in Mobile Secure



VXA

- Ankeena acquisition drives Media Flow design wins

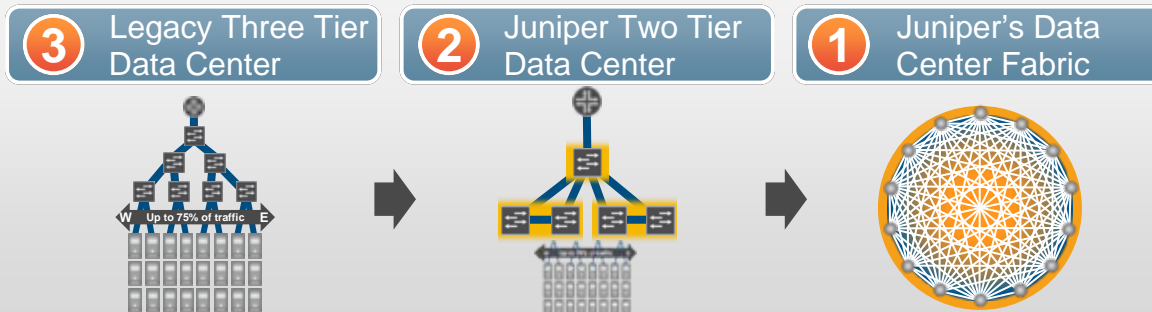
# PROGRESS AGAINST STRATEGIC AGENDA

## Enterprise Grows 31% YOY

### Expanded Portfolio of Offerings



### Data Center Architecture



### Key Partners



# SUMMARY

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Continued momentum



Taking share in Enterprise and Service Provider



Investments in key innovation areas



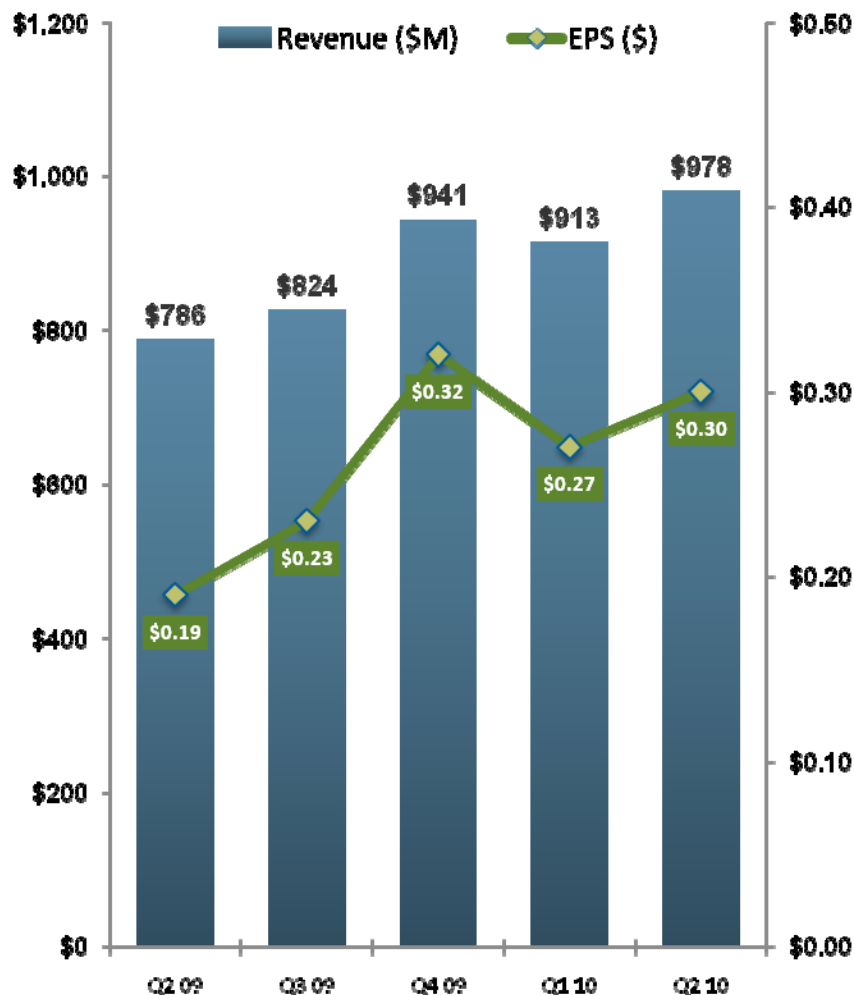
Focus on financials and customer value

# FINANCIAL REVIEW

Robyn Denholm



# STRONG EXECUTION AND DEMAND METRICS: Q2 '10 RESULTS



## Strong execution

- Revenue grew 7% Q/Q and 24% Y/Y
- Non-GAAP Operating Margin of 23.9%
- Non-GAAP Diluted EPS grew 3 cents Q/Q and 11 cents Y/Y

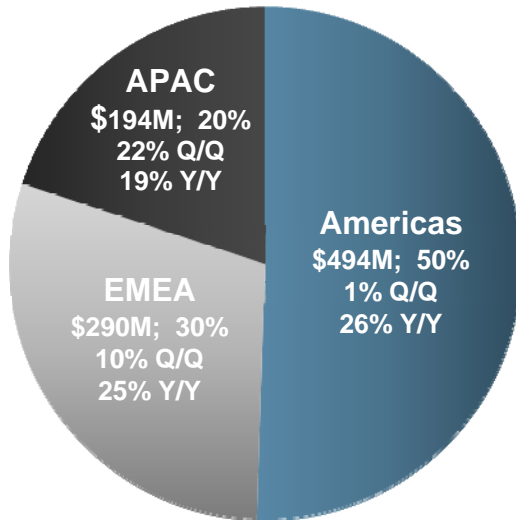
## Strong demand metrics

- Book to bill well in excess of 1
- Healthy product deferred revenue balance
- Robust pipelines exiting the quarter

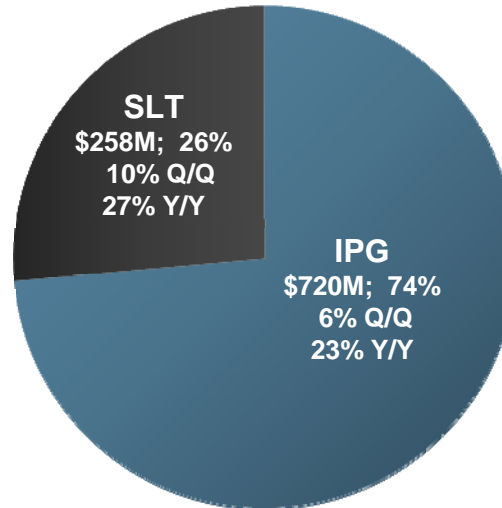


## Q2 '10 REVENUE MIX

**Geography**



**Segment**

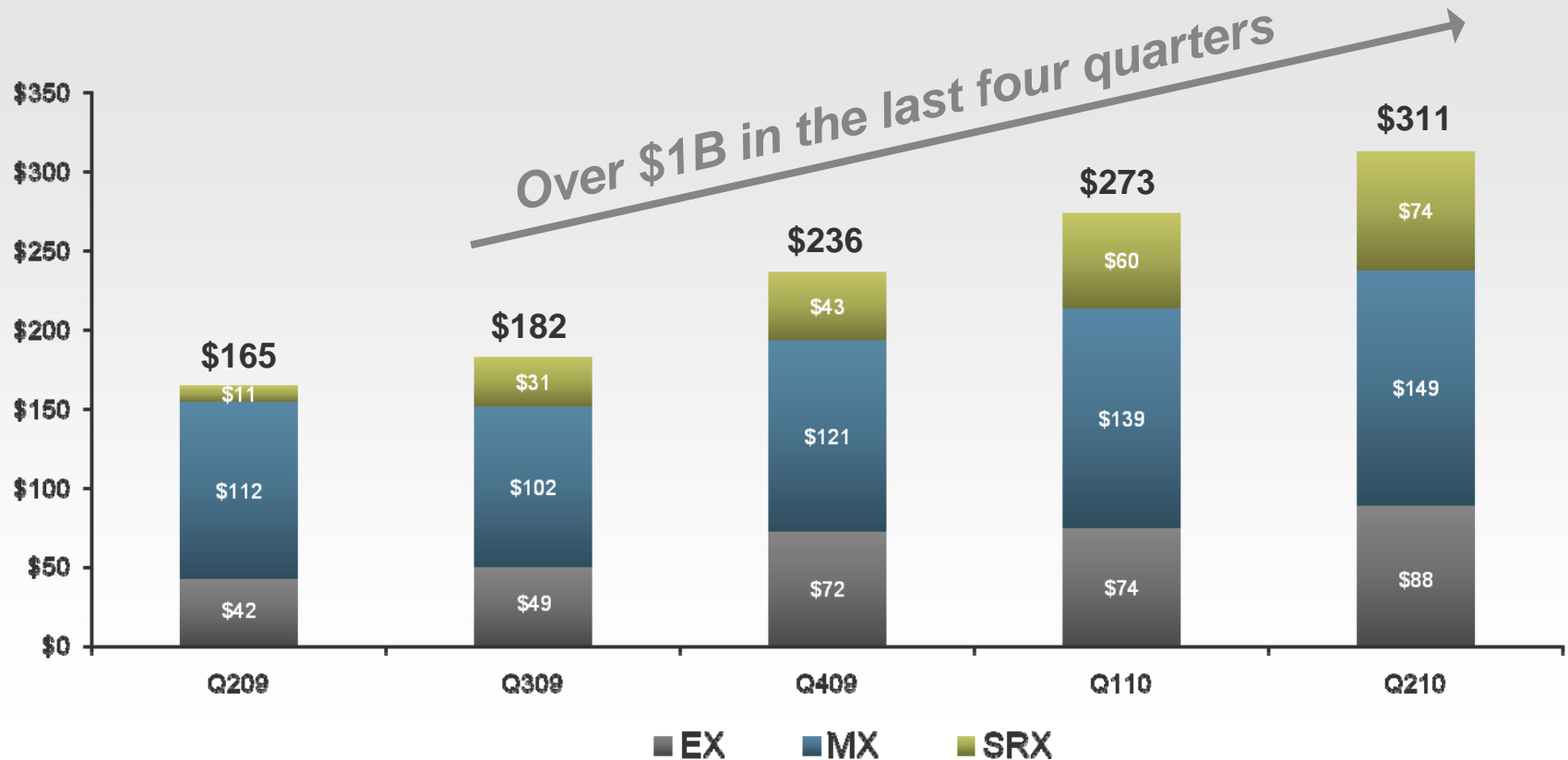


- Growth across all geographies; improved spending levels in EMEA and APAC
- Good wins in edge & security with wireline and wireless carriers
- EX switch momentum continues with revenue up 20% Q/Q to \$92M
- MX 3D delivered revenue of \$24M; good customer interest
- SRX gains continue; grew 23% Q/Q with revenue of almost \$75M

# EX, MX, SRX: RETURN ON R&D INVESTMENT

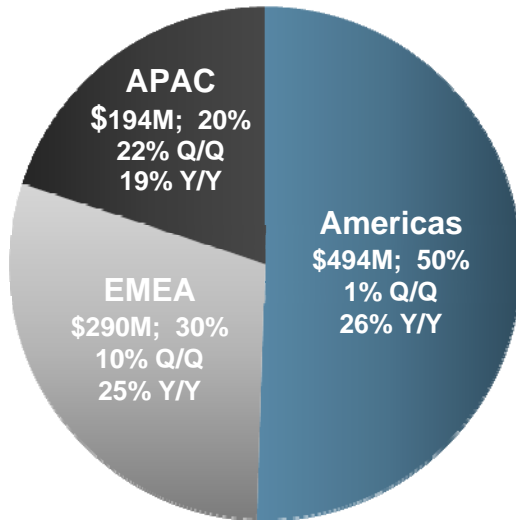
## 14% SEQUENTIAL GROWTH & 89% YOY GROWTH

EX, MX And SRX Product Revenue \$M

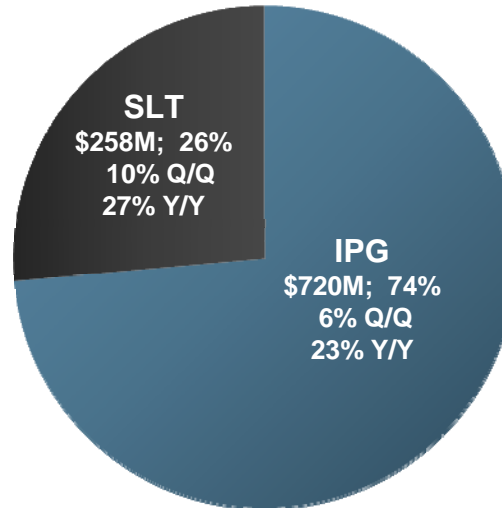


# Q2 '10 REVENUE MIX

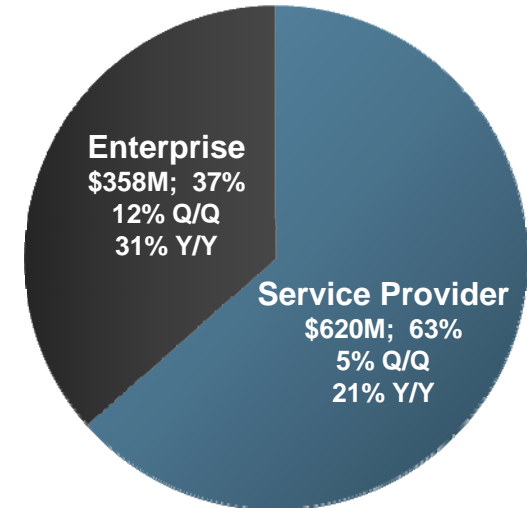
**Geography**



**Segment**



**Markets**



- Growth across all geographies; improved spending levels in EMEA and APAC
- Good wins in edge & security with wireline and wireless carriers
- EX switch momentum continues with revenue up 20% Q/Q to \$92M
- MX 3D delivered revenue of \$24M; good customer interest
- SRX gains continue; grew 23% Q/Q with revenue of almost \$75M
- Strong demand in both Enterprise and Service Provider markets

# FINANCIAL RESULTS (NON-GAAP)

	Q2'10	Q1'10	Q2'09	Q/Q Change	Y/Y Change
REVENUE	\$978.3M	\$912.6M	\$786.4M	7%	24%
GROSS MARGIN %	67.9%	67.6%	65.0%	0.3pts	2.9pts
R&D	\$205.7M	\$189.3M	\$168.8M	9%	22%
SALES & MARKETING	\$187.3M	\$180.2M	\$165.7M	4%	13%
G&A	\$37.9M	\$35.8M	\$34.6M	6%	10%
TOTAL OPERATING EXPENSE	\$430.9M	\$405.3M	\$369.1M	6%	17%
OPERATING MARGIN %	23.9%	23.2%	18.1%	0.7pts	5.8pts
NET INCOME*	\$164.0M	\$146.4M	\$103.8M	12%	58%
EPS (DILUTED)*	\$0.30	\$0.27	\$0.19	\$0.03	\$0.11

\* Net income and diluted EPS attributable to Juniper Networks exclude net income or loss pertaining to non-controlling interest

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# CASH FLOW AND BALANCE SHEET METRICS

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## Healthy cash position

- Cash and investments over \$2.7B
- Cash flow from operations in the quarter was approximately \$221M
- Net cash payment of \$64M for acquisition of Ankeena Networks

## Share repurchase

- Repurchased 6.5M shares or approximately \$177M

## No debt

## DSO: 36 days

**Intend to file replacement of universal shelf registration: \$1.5Bn**

**Deferred revenue healthy balance of \$768M, down 3% Q/Q, up 18% Y/Y**

- Product deferred revenue down 5% Q/Q, up 33% Y/Y
  - Future feature portion roughly flat with Q1
- Services deferred revenue down 2% Q/Q, up 13% Y/Y

# Q3 '10 GUIDANCE

3 MONTHS ENDING SEPTEMBER 30, 2010

<b>REVENUE</b>	\$1,020M plus or minus \$20M
<b>GROSS MARGINS</b>	Within long-term target range of 66% to 68%
<b>OPEX</b>	Operating expenses to remain roughly flat as percent of revenue and increase on an actual basis
<b>OPERATING MARGINS</b>	Expect range of 23.5% plus or minus half a point
<b>EPS</b>	Expect range from \$0.30 to \$0.32 per diluted share
<b>TAX RATE</b>	Approximately 31%
<b>SHARE COUNT</b>	Expect to be flat compared to Q2'10

On track for 2010 to be growth year for the company and in-line with long-term target model of 20% or higher top-line growth.

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## 2010 OPERATING PRINCIPLES: PLANNING FOR GROWTH

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Assume macro economy will continue to improve



Accelerate out of the downturn and outpace the market recovery



Invest in innovations that deliver long-term value to our customers



Drive year-over-year operating margin expansion



Maintain a healthy balance sheet and generate strong cash flows

# APPENDIX





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## PERCENT OF REVENUE BY MARKET

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	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10
<b>Total SP</b>	72.6%	72.7%	68.7%	68.1%	65.3%	63.6%	67.9%	65.0%	63.4%
<b>Total Enterprise</b>	27.4%	27.3%	31.3%	31.9%	34.7%	36.4%	32.1%	35.0%	36.6%

# SEGMENT OPERATING RESULTS

(in '000's except percentages)	Q2'08	Q3'08	Q4'08	FY'08	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
<b>IPG:</b>											
Product revenue	\$575,949	\$610,289	\$586,945	\$2,301,844	\$454,356	\$469,888	\$471,976	\$562,978	\$1,959,198	\$556,127	\$590,212
Service revenue	96,517	118,976	115,349	424,012	112,788	114,057	123,229	132,363	482,437	122,569	130,144
Total	672,466	729,265	702,294	2,725,856	567,144	583,945	595,205	695,341	2,441,635	678,696	720,356
Operating margin	195,085	216,845	202,513	806,001	111,906	119,941	126,928	182,640	541,415	176,483	181,199
Operating margin as a % of segment revenue	29.0%	29.7%	28.8%	29.6%	19.7%	20.5%	21.3%	26.3%	22.2%	26.0%	25.2%
<b>SLT:</b>											
Product revenue	\$147,968	\$156,680	\$158,915	\$609,116	\$133,507	\$137,071	\$162,098	\$176,118	\$608,794	\$165,074	\$183,846
Service revenue	58,600	61,017	62,284	237,404	63,532	65,347	66,609	69,995	265,483	68,848	74,098
Total	206,568	217,697	221,199	846,520	197,039	202,418	228,707	246,113	874,277	233,922	257,944
Operating margin	12,314	20,734	26,534	65,763	13,101	22,151	44,361	47,379	126,992	35,137	52,570
Operating margin as a % of segment revenue	6.0%	9.5%	12.0%	7.8%	6.6%	10.9%	19.4%	19.3%	14.5%	15.0%	20.4%

All numbers are GAAP

\* Q2'10 numbers are preliminary pending the filing of our Quarterly Report on Form 10-Q

# FINANCIAL RESULTS (GAAP)

	Q2'10	Q1'10	Q2'09	Q/Q Change	Y/Y Change
REVENUE	\$978.3M	\$912.6M	\$786.4M	7%	24%
GROSS MARGIN %	67.5%	67.1%	64.4%	0.4pts	3.1pts
TOTAL OPERATING EXPENSE	\$475.0M	\$451.7M	\$410.7M	5%	16%
OPERATING MARGIN %	18.9%	17.6%	12.2%	1.3pts	6.7pts
NET INCOME*	\$130.5M	\$163.1M	\$14.8M	-20%	784%
EPS (DILUTED)*	\$0.24	\$0.30	\$0.03	-\$0.06	\$0.21

\* Net income and diluted EPS attributable to Juniper Networks exclude net income or loss pertaining to non-controlling interest

## Special Q2'10 items:

- Net income on a GAAP basis includes an equity investment gain of \$3.2 million, partially offset by acquisition-related charges of \$0.5 million and a restructuring charge of \$0.3 million. Combined, these items represent less than \$0.01 per diluted share.

# GAAP TO NON-GAAP RECONCILIATIONS

(in '000's except per share amounts and percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
GAAP Cost of revenues – Product	\$193,061	\$207,576	\$206,329	\$234,756	\$841,722	\$222,381	\$231,752
Stock-based compensation expense	(1,059)	(863)	(910)	(1,074)	(3,906)	(1,105)	(997)
Stock-based compensation related payroll tax	(2)	(14)	(32)	23	(25)	(71)	(40)
Amortization of purchased intangible assets	(1,369)	(1,369)	(1,369)	(904)	(5,011)	(25)	(308)
<b>Non-GAAP Cost of revenues – Product</b>	<b>\$190,631</b>	<b>\$205,330</b>	<b>\$204,018</b>	<b>\$232,801</b>	<b>\$832,780</b>	<b>\$221,180</b>	<b>\$230,407</b>
GAAP Cost of revenues – Service	\$68,830	\$72,405	\$74,300	\$75,452	\$290,987	\$78,216	\$86,610
Stock-based compensation expense	(2,460)	(2,490)	(2,615)	(2,922)	(10,487)	(3,494)	(3,242)
Stock-based compensation related payroll tax	(12)	(44)	(89)	70	(75)	(165)	(152)
<b>Non-GAAP Cost of revenues – Service</b>	<b>\$66,358</b>	<b>\$69,871</b>	<b>\$71,596</b>	<b>\$72,600</b>	<b>\$280,425</b>	<b>\$74,557</b>	<b>\$83,216</b>

# GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
GAAP Gross margin	\$502,292	\$506,382	\$543,283	\$631,246	\$2,183,203	\$612,021	\$659,938
Stock-based compensation expense	3,519	3,353	3,525	3,996	14,393	4,599	4,239
Stock-based compensation related payroll tax	14	58	121	(93)	100	236	192
Amortization of purchased intangible assets	1,369	1,369	1,369	904	5,011	25	308
<b>Non-GAAP Gross margin</b>	<b>\$507,194</b>	<b>\$511,162</b>	<b>\$548,298</b>	<b>\$636,053</b>	<b>\$2,202,707</b>	<b>\$616,881</b>	<b>\$664,677</b>
GAAP Gross margin % of revenue	65.7%	64.4%	65.9%	67.1%	65.8%	67.1%	67.5%
Stock-based compensation expense % of revenue	0.5%	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%
Stock-based compensation related payroll tax % of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortization of purchased intangible assets % of revenue	0.2%	0.2%	0.2%	0.1%	0.2%	0.0%	0.0%
<b>Non-GAAP Gross margin % of revenue</b>	<b>66.4%</b>	<b>65.0%</b>	<b>66.5%</b>	<b>67.6%</b>	<b>66.4%</b>	<b>67.6%</b>	<b>67.9%</b>

# GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
GAAP Research and development expense	\$185,400	\$183,894	\$185,204	\$187,210	\$741,708	\$206,994	\$224,768
Stock-based compensation expense	(14,680)	(14,981)	(14,327)	(15,294)	(59,282)	(16,986)	(18,679)
Stock-based compensation related payroll tax	(31)	(156)	(353)	407	(133)	(755)	(430)
<b>Non-GAAP Research and development expense</b>	<b>\$170,689</b>	<b>\$168,757</b>	<b>\$170,524</b>	<b>\$172,323</b>	<b>\$682,293</b>	<b>\$189,253</b>	<b>\$205,659</b>
GAAP Sales and marketing expense	\$187,864	\$176,555	\$183,424	\$211,288	\$759,131	\$192,375	\$202,303
Stock-based compensation expense	(10,199)	(10,645)	(10,964)	(11,340)	(43,148)	(11,728)	(13,853)
Stock-based compensation related payroll tax	(202)	(191)	(276)	155	(514)	(432)	(1,150)
<b>Non-GAAP Sales and marketing expense</b>	<b>\$177,463</b>	<b>\$165,719</b>	<b>\$172,184</b>	<b>\$200,103</b>	<b>\$715,469</b>	<b>\$180,215</b>	<b>\$187,300</b>

# GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
GAAP General and administrative expense	\$39,211	\$39,175	\$39,877	\$41,196	\$159,459	\$43,138	\$45,880
Stock-based compensation expense	(5,164)	(4,550)	(5,538)	(7,584)	(22,836)	(7,248)	(7,832)
Stock-based compensation related payroll tax	(12)	(31)	(38)	(4)	(85)	(97)	(111)
<b>Non-GAAP General and administrative expense</b>	<b>\$34,035</b>	<b>\$34,594</b>	<b>\$34,301</b>	<b>\$33,608</b>	<b>\$136,538</b>	<b>\$35,793</b>	<b>\$37,937</b>
GAAP Operating expense	\$421,094	\$410,692	\$415,328	\$625,394	\$1,872,508	\$451,749	\$474,960
Stock-based compensation expense	(30,043)	(30,176)	(30,829)	(34,218)	(125,266)	(35,962)	(40,364)
Stock-based compensation related payroll tax	(245)	(378)	(667)	558	(732)	(1,284)	(1,691)
Amortization of purchased intangible assets	(4,390)	(3,539)	(1,330)	(1,157)	(10,416)	(1,137)	(1,204)
Restructuring charges	(4,229)	(7,529)	(4,493)	(3,212)	(19,463)	(8,105)	(264)
Other charges – acquisition related charges	-	-	-	-	-	-	(541)
Other charges – legal settlement	-	-	(1,000)	(181,331)	(182,331)	-	-
<b>Non-GAAP Operating expense</b>	<b>\$382,187</b>	<b>\$369,070</b>	<b>\$377,009</b>	<b>\$406,034</b>	<b>\$1,534,300</b>	<b>\$405,261</b>	<b>\$430,896</b>

# GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
GAAP Operating income	\$81,198	\$95,690	\$127,955	\$5,852	\$310,695	\$160,272	\$184,978
Stock-based compensation expense	33,562	33,529	34,354	38,214	139,659	40,561	44,603
Stock-based compensation related payroll tax	259	436	788	(651)	832	1,520	1,883
Amortization of purchased intangible assets	5,759	4,908	2,699	2,061	15,427	1,162	1,512
Restructuring charges	4,229	7,529	4,493	3,212	19,463	8,105	264
Other charges – acquisition related charges	-	-	-	-	-	-	541
Other charges – legal settlement	-	-	1,000	181,331	182,331	-	-
<b>Non-GAAP Operating income</b>	<b>\$125,007</b>	<b>\$142,092</b>	<b>\$171,289</b>	<b>\$230,019</b>	<b>\$668,407</b>	<b>\$211,620</b>	<b>\$233,781</b>



# GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
GAAP Operating margin	10.6%	12.2%	15.5%	0.6%	9.4%	17.6%	18.9%
Stock-based compensation expense	4.4%	4.3%	4.2%	4.1%	4.2%	4.4%	4.6%
Stock-based compensation related payroll tax	0.0%	0.0%	0.1%	-0.1%	0.1%	0.2%	0.2%
Amortization of purchased intangible assets	0.8%	0.6%	0.3%	0.2%	0.5%	0.1%	0.2%
Restructuring charges	0.6%	1.0%	0.6%	0.3%	0.5%	0.9%	0.0%
Other charges – acquisition related charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other charges – legal settlement	0.0%	0.0%	0.1%	19.3%	5.5%	0.0%	0.0%
<b>Non-GAAP Operating margin</b>	<b>16.4%</b>	<b>18.1%</b>	<b>20.8%</b>	<b>24.4%</b>	<b>20.2%</b>	<b>23.2%</b>	<b>23.9%</b>

# GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
GAAP Other income and expense, net	\$264	\$1,273	\$1,733	(\$1,904)	\$1,366	\$1,459	\$4,065
Loss (gain) on investments	1,686	1,625	-	2,251	5,562	-	(3,232)
<b>Non-GAAP Other income and expense, net</b>	<b>\$1,950</b>	<b>\$2,898</b>	<b>\$1,733</b>	<b>\$347</b>	<b>\$6,928</b>	<b>\$1,459</b>	<b>\$833</b>
GAAP Income tax provision (benefit)	\$85,922	\$82,194	\$45,902	(\$17,185)	\$196,833	(\$2,879)	\$58,700
Non-recurring income tax (charge) benefit	-	(52,124)	(4,559)	-	(56,683)	54,069	-
Valuation allowance on deferred tax assets	(61,755)	-	-	-	(61,755)	-	-
Income tax effect of non-GAAP exclusions	11,216	11,120	9,162	75,672	107,170	13,977	12,130
<b>Non-GAAP Provision for income tax</b>	<b>\$35,383</b>	<b>\$41,190</b>	<b>\$50,505</b>	<b>\$58,487</b>	<b>\$185,565</b>	<b>\$65,167</b>	<b>\$70,830</b>
<b>Non-GAAP Income tax rate</b>	<b>27.9%</b>	<b>28.4%</b>	<b>29.2%</b>	<b>25.4%</b>	<b>27.5%</b>	<b>30.6%</b>	<b>30.2%</b>
<b>Non-GAAP Income before income taxes and noncontrolling interest</b>	<b>\$126,957</b>	<b>\$144,990</b>	<b>\$173,022</b>	<b>\$230,366</b>	<b>\$675,335</b>	<b>\$213,079</b>	<b>\$234,614</b>

# GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
GAAP Net income (loss) attributable to Juniper Networks	(\$4,460)	\$14,769	\$83,786	\$22,904	\$116,999	\$163,115	\$130,511
Stock-based compensation expense	33,562	33,529	34,354	38,214	139,659	40,561	44,603
Stock-based compensation related payroll tax	259	436	788	(651)	832	1,520	1,883
Amortization of purchased intangible assets	5,759	4,908	2,699	2,061	15,427	1,162	1,512
Restructuring charges	4,229	7,529	4,493	3,212	19,463	8,105	264
Other charges – acquisition related charges	-	-	-	-	-	-	541
Other charges – legal settlement	-	-	1,000	181,331	182,331	-	-
Loss (gain) on investments	1,686	1,625	-	2,251	5,562	-	(3,232)
Non-recurring income tax charge (benefit)	-	52,124	4,559	-	56,683	(54,069)	-
Valuation allowance on deferred tax assets	61,755	-	-	-	61,755	-	-
Income tax effect of non-GAAP exclusions	(11,216)	(11,120)	(9,162)	(75,666)	(107,164)	(13,977)	(12,130)
<b>Non-GAAP Net income</b>	<b>\$91,574</b>	<b>\$103,800</b>	<b>\$122,517</b>	<b>\$173,656</b>	<b>\$491,547</b>	<b>\$146,417</b>	<b>\$163,952</b>

# GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10
<b>Non-GAAP Net income</b>	<b>\$91,574</b>	<b>\$103,800</b>	<b>\$122,517</b>	<b>\$173,656</b>	<b>\$491,547</b>	<b>\$146,417</b>	<b>\$163,952</b>
<b>Non-GAAP Net income per share:</b>							
Basic	\$0.17	\$0.20	\$0.23	\$0.33	\$0.94	\$0.28	\$0.31
Diluted	\$0.17	\$0.19	\$0.23	\$0.32	\$0.92	\$0.27	\$0.30
<b>Shares used in computing non-GAAP net income per share:</b>							
Basic	524,429	523,105	523,878	523,200	523,603	521,141	524,463
Diluted	530,705	532,850	538,132	538,887	534,015	536,718	538,947