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JNPR - Juniper Networks at Cantor Fitzgerald Internet Conference

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PRESENTATION

Brian White - *Cantor Fitzgerald - Analyst*

Okay, great. We're going to get started her. We have Juniper Networks with us today. My name is Brian White; I cover the global tech hardware and software industry at Cantor Fitzgerald. And we are very pleased to have with us this morning Kathleen Nemeth, VP of IR from Juniper Networks. Kathleen has been with Juniper since 2007. Before we get started with some questions, Kathleen has a few slides she would like to share with us this morning. Kathleen?

Kathleen Nemeth - *Juniper Networks - VP, IR*

Thank you, Brian, and good morning, everyone. Welcome to those of you here with us at the beautiful and historic Waldorf-Astoria and also, I would like to extend a welcome to those of you who may be joining us via webcast.

On behalf of the senior leadership team at Juniper, I want to thank Cantor and specifically Brian for inviting us to present at Cantor Fitzgerald's inaugural Internet conference. It is a pleasure to be here this morning.

So before I get started, what I would like to do is walk through a couple of slides with you to provide some context for our discussion this morning. Of course, just very briefly bringing your attention to our Safe Harbor statement. To the extent that I make forward-looking statements, either during our presentation this morning or during my discussion with Brian, I want to point out that there are risks and uncertainties associated with those. For a full and comprehensive look at those risks, you can refer to our most recent SEC filing, our most recent 10-Q.

Now let's talk a little bit about our strategic overview of June. Many of you know Juniper very well. Some of you may have followed the Company since our IPO, but there are others who may be fairly new to the story. So in terms of orienting you to how we think about our opportunity, I would like to walk through our overall high-level strategy.

First of all, we address two customer sectors, the service provider market and the enterprise market. Certainly within the enterprise, there are some customers that have a need for high-performance networking that aligns very well with our long-term position in the service provider space and within service providers, I do want to call out that we address three sectors there, the carrier sector, which you are very familiar with, and that is both on the wireline and the wireless side, as well as the cable sector, and also the content service provider sector. What we refer to as content service providers, what you may be more familiar with as Web 2.0 type companies. So this provides a diverse revenue opportunity for us within our strongest customer segment within the service provider space.

Clearly, we are in three main businesses, routing, switching and security. Routing being our area of traditional strength, leveraging that into other parts of the market opportunity with switching and also with security.

And then lastly, when we look at how we self-organize within Juniper, we do look through the eyes of our customers. So how can we bring solutions to the domains in the way that customers look at those? So we have seven domains that we focus on, access and aggregation, Edge, core, data center, as well as several others and recently, we have introduced new products and new solutions within several of these domains. Within Edge, we have updated and upgraded the functionality of our flagship MX platforms. We have seen new form factors that the MX introduced, specifically the MX2020. We are also continually introducing new features and functionality from that platform.

Within the core, we have a very robust suite of core products. We've got the T4000, the PTX and now the MX2020, which addresses some of the services Edge area of the core, which is a relatively new opportunity for us.

And then within the data center, we have had some new announcements recently. We've announced MetaFabric just about a month ago. We also have a new form factor of QFabric, which we brought out last year, which has been doing well with customers. So we are continually bringing out new products and new capabilities within those domains.

Just a very quick review of our most recent quarter from a financial perspective. In the September quarter that we reported in October, we noted that we delivered five consecutive quarters of year-over-year growth. We are starting to see some strength on the revenue side, coupled with our ongoing focus on OpEx, management and reduction, and that has enabled us to post about a 50% increase in EPS year-to-date, a function of both strengthening revenues and, like I said, a good focus on OpEx. We had good demand indicators during the quarter and overall, we are pleased with the momentum that we have seen in the business this year.

A couple of comments on cash. And I think when you look at Juniper, this is one of the key areas that the Company really demonstrates -- has demonstrated strength since its inception, virtually. So we generate a good, strong level of cash flow and looking at ways to deploy that in the best interest of our shareholders is an ongoing discussion both with our Board and our senior leadership team and we are looking at ways to both, of course, grow the business, have sufficient capital to do appropriate M&A and then, of course, to return capital back to our shareholders and we have become more effective at that over the last six quarters largely as a function of two decisions and actions the management team have taken.

One is to adopt a different stance when it comes to share buybacks, moving from a largely maintenance buyback type of approach to a more opportunistic approach. And in addition to that, about five years ago, we started bringing down the annual issuance rate on stock options. So to the extent that we do buybacks, we are able to be much more effective in that, both today and as we go forward.

Like I said, this is an ongoing discussion with the senior team at Juniper and we are well aware that we do have strong cash flows and that there are opportunities for us to look for ways to return those back to shareholders.

So, in summary, we believe that our strategy positions us for continued growth. We will remain very, very focused on appropriate management of OpEx and resource allocation within the Company, making sure that we are able to invest in new growth opportunities, but also be very effective and efficient in the way we do that.

And then, finally, as I mentioned in the previous slide, good strong cash flow generation and looking at ways to return that back to our shareholders. So with that, I would like to thank you and I will sit down and look forward to having some questions with Brian.

Brian White - *Cantor Fitzgerald - Analyst*

Thanks, Kathleen. So first of all, I would like to talk a little bit about the new CEO at Juniper. I know back in July, Kevin Johnson surprised a lot of us and announced plans to retire as CEO of Juniper. After a few months of searching, Juniper announced plans for Kevin's replacement in November, start date of January 1, 2014. I know Shaygan has spent time working on Wall Street investment bank. A lot of investors may not be familiar with Shaygan, so maybe you could discuss Shaygan's background and why he is the right person for the job here.

Kathleen Nemeth - *Juniper Networks - VP, IR*

Sure, Brian. Certainly, I would call out two areas. First of all, our new CEO, Shaygan, has experienced in both service providers and enterprise both at Barclays and of course, a long tenure at Verizon, so really understanding the customer landscape, overall technology landscape is very key for Juniper and so that was one area that the Board was looking at. In addition to that, Shaygan brings a track record of success in terms of operational excellence in driving effective operations within the companies he has been at. So both of those attributes, we believe, will be very beneficial to Juniper as we go forward.

Brian White - *Cantor Fitzgerald - Analyst*

Okay, great. And I noticed last night Bob Muglia who is EVP of Software Solutions Division did resign from Juniper. Maybe you could discuss that change a little bit with us today.

Kathleen Nemeth - *Juniper Networks - VP, IR*

Sure, Bob did make a decision, a personal decision to resign from the Company. I don't have a whole lot to add beyond that. I will say that Juniper appreciates the leadership that Bob brought in terms of helping us establish a vision for software and also helping to get the security business stabilized, beginning to stabilize and on the right path, but this was a personal decision for Bob.

Brian White - *Cantor Fitzgerald - Analyst*

And will there be a replacement or merge that position with another one?

Kathleen Nemeth - *Juniper Networks - VP, IR*

At this point, there will not be a replacement. That division will report into the CEO.

Brian White - *Cantor Fitzgerald - Analyst*

Let's look maybe at the environment; 2013, very, very challenging for the leading IT-related vendors. I know you are more carrier-oriented, but very, very challenging. I know Juniper's estimates for The Street have actually moved higher this year. So what we've heard recently, this incremental weakness in China, federal spending, emerging markets; even Snowden has taken the blame for some of this as it relates to NSA.

Your largest competitor had a just very challenging outlook about a month ago. So maybe just walk us through what do you think happened, IT spending, carrier spending 2013, and why do you think Juniper has really fundamentally outperformed your peers?

Kathleen Nemeth - *Juniper Networks - VP, IR*

Well, all of the factors that you mentioned no doubt lead to a very dynamic market and industry environment that we have been participating in throughout this year. I think that clearly on the carrier space, and not just carrier, I would call out the service provider space, I think we benefited from working to diversify some of our market opportunities there.

If you look back six years ago, cable and content were not necessarily a strong contributor to Juniper's overall revenue profile in the service provider space. So we have worked hard to both expand our footprint in our large tier 1 carriers, worked to establish relationships with some of the regional carriers and then grow our marketshare within cable and within content service providers.

I think that diversity has been helpful to us and so we are seeing some of that throughout this year, but clearly it has been quite dynamic and we have been very mindful of that as we entered into 2013 both in terms of allocating our resources, managing our OpEx and driving towards those opportunities within the market that we feel would bring the most benefit for our customers. So that type of discipline that we have seen this year has been helpful.

That being said, there have been -- there continues to be areas of our business where there is a bit of the performance has been uneven, whether it is in security in the campus and branch, for example. Within switching, we have done well there. We have introduced some new products and that is an area where we believe we will continue to see some growth as we go forward.

So overall, I think that we have performed well. There is always things that we can focus on as we go forward, but given the environment, I think that we have demonstrated some predictable growth and some good deliverables in terms of EPS growth.

Brian White - *Cantor Fitzgerald - Analyst*

Okay, great. Maybe dive in a little bit to carrier spending. 2011, 2012, a mixed bag at best for carrier spending; seasonality wasn't really there. 2013, I think has been healthier. The US market has been better. You've called out Europe at least stabilizing. I think China has some opportunities. They have a big 4G buildout ahead. So why do you think capital spending has improved this year? Is this a sustainable trend or just a one-off kind of year?

Kathleen Nemeth - *Juniper Networks - VP, IR*

Well, it is always difficult to predict overall capital spending, particularly because we address a fairly small portion of that for large service providers. We address their investment in building out IP networks and that is a small portion of the overall capital spend. Nevertheless, we believe that based on -- again, going back to the diversity within service provider and then seeing some of these geographies start to invest again is helpful for us.

Now, again, it is difficult to predict, but given what we see in terms of talking with our customers and the overall pipeline, we do see some -- a constructive outlook for overall service provider spend. And again, I would include cable and the content customers within that as well.

Brian White - *Cantor Fitzgerald - Analyst*

Okay, great. When we think about China, a lot of companies -- IBM, Cisco, the list goes on and on --- cried the blues about China. But you actually sounded positive about China. What is Juniper seeing in China that others aren't?

Kathleen Nemeth - *Juniper Networks - VP, IR*

Yes, we had a relatively good quarter in the third quarter in China. We called that out on our conference call. We talked about strength in China, as well as Korea and Australia. I think the political back and forth certainly is real and is something that customers -- companies have to deal with.

I think, in our case, we have got a combination of two things that may offset that a bit. One is that we are relatively smaller than some of the larger US-based multinationals that do business in China. And secondly, we go to market in China with partners and I think those two things may offset some of the concerns that are driven by the political back and forth.

That being said, I think that emerging markets overall continue to be an opportunity for us and one that we look to continue to take share and drive share in as we go forward.

Brian White - *Cantor Fitzgerald - Analyst*

Okay, so China recently allocated 4G licenses just over the past week. I know some of your competitors probably won't participate that much. You know, I think they've been penalized. Is there any reason to think that Juniper won't participate? I assume that you will participate in this 4G buildout. I mean it is a multiyear event.

Kathleen Nemeth - *Juniper Networks - VP, IR*

Yes, there is no reason to assume that we won't participate. That being said, we don't comment specifically on specific customers, but we have been very, very targeted on our strategy in China. Going back four or five years, we developed a strategy where we felt we could be successful in that region, so it is definitely being very targeted, very surgical, how can we make sure that we are addressing opportunities that align very closely with our strengths. We have a very good team there on the ground in China in the field and so all of these things are constructive for us, we believe.

Brian White - *Cantor Fitzgerald - Analyst*

Okay, great. Talk a little bit about cash. Again, Juniper is one of the few companies I think in the IT/carrier spending world that has actually outperformed numbers. It was higher this year, so you have done a very good job. Stock has underperformed. I guess now it's up about 10% year-to-date, S&P's up about 26%. You've got a lot of cash on the balance sheet. I know you authorized a new $1 billion buyback over the summer.

I am wondering, just going through the math it seems like if you did a larger kind of accelerated buyback, I don't know if it's $1 billion or $3 billion, it seems like it's very nicely accretive. Is that something that Juniper would be open to, maybe a larger buyback since the stock seems, in my view, very undervalued?

Kathleen Nemeth - *Juniper Networks - VP, IR*

Well, I won't comment on specifics. What I can comment on and reiterate is that we, as a management team and at the Board level, we are well aware of the strengths on the balance sheet and the good cash flow that we generate. And so it is an ongoing discussion with the Board in terms of how we can deliver cash back to shareholders and we certainly listen very carefully to our shareholders and their feedback on that front. So I think it is a very good question and a fair point.

Brian White - *Cantor Fitzgerald - Analyst*

Okay. Maybe software-defined networking. It is obviously a hot topic. I think when VMware bought Nicira last July 2012, went through the roof in terms of questions around it, concerns around this area. So could you walk us through how Juniper fits into the SDN puzzle and maybe discuss the recent introduction of some of your new products? I know QFabric you introduced, I think it was in 2011, and it was really kind of --.

Kathleen Nemeth - *Juniper Networks - VP, IR*

The new form factor.

Brian White - *Cantor Fitzgerald - Analyst*

The new form factor.

Kathleen Nemeth - *Juniper Networks - VP, IR*

Initial.

Brian White - *Cantor Fitzgerald - Analyst*

And it was really kind of -- in a way, it was SDN ahead of its time. And so I know MetaFabric came out recently. So just how does Juniper play into this SDN world? Is this a threat, an opportunity?

Kathleen Nemeth - *Juniper Networks - VP, IR*

It's a great question, and you are absolutely right. We believe that the initial introduction of QFabric, and it is actually going back more in the 2008 timeframe, I want to say, that did have many of the tenets of SDN. So it has been an opportunity for us to work with customers and learn about some of their pain points as they look to adopt a more software-defined network, whether it is on the carrier side or some of the enterprise side.

Today, we look at it as an opportunity for us, primarily in the enterprise space and in the data center space. That is not an area where we have a large incumbent position, so we are in a position where we can go and work with customers, help them work through what they need for software-defined networking -- network and perhaps bring in some of our other products along the way, whether it is with the Contrail controller or the open controller, and then leveraging that position to bring in MX and other products, so that is one element.

On the carrier side, we have received very, very strong feedback from open Contrail and from the Contrail controller, helping them to think through their NFV vision, helping them think through how they will architect the network given some of the opportunities that software-defined networking enables. So one of the ways that is helpful to think about where Juniper is in the discussion is on one end of the spectrum, you have competitors or peers that are offering a fully integrated, fully vertically integrated closed stack approach and that will resonate with some customers, no doubt.

On the other hand, you have competitors and peers that have point products that they may be targeting a niche opportunity there, and then we believe we are in the middle, in a very, very good place in terms of offering a very open, programmable network approach to SDN that builds upon our long-term strengths in both networking and our deep expertise in networking and also within software, so some of the new areas that we have been working on in software.

So we feel very good about that and as it evolves over time, and again, I think we all agree it is very early days. Yet, that being said, there are very, very strong reasons and a lot of interest from customers in moving towards that.

So we feel we are in a very good position. We are excited about it. We do have some new areas of solutions of products that we have introduced, MetaFabric being an example, Contrail another and so we are looking forward to how this evolves over the next several quarters, several years.

Brian White - *Cantor Fitzgerald - Analyst*

Okay, so this ties in a little bit, obviously, to Ethernet switches. I know you entered the market with the EX family sometime in 2008. I think you have recently said you have generated $2 billion in revenue in aggregate, so it has been a success. Still the marketshare is small, obviously, you just started not too long ago, 1% to 2%. The market is huge; it's a $20 billion market.

So really just walk us through how you envision Juniper playing in the Ethernet switch market and what is really the differentiating factor? Is it going to be SDN in the Ethernet switch market, or how are you going to differentiate yourself, do you think?

Kathleen Nemeth - *Juniper Networks - VP, IR*

Yes, I think it is a great question and we have been in that market now for several years now and we have been quite successful in driving share and switching. For Juniper, it comes back to our overall expertise in networking and building best-of-breed products. So we have recently introduced the EX9200, which is being very, very well-received.

We are working with partners, VMware is an example, on ways to bring our switching expertise and networking into the data center into a virtualized environment. So those are the types of initiatives that we have that we believe will distinguish us from others in the marketplace and help us to continue to grow share in switching.

We have worked over the last year and a half or so to consolidate the QFabric organization and the EX organization, bringing in the learning of both and I think that has benefited us as we have a better, more focused and consistent message to our customers and more focus within the Company.

So I think all of those things taken together will help us to really define our solution that we bring to customers and where we play in that business.

Brian White - *Cantor Fitzgerald - Analyst*

Okay, great. New products. I know over the past few years, Juniper has been extremely busy expanding the product portfolio. June 2012, you put out -- I think it was a $600 million revenue run rate target by the end of this year; included a whole host of different products.

So maybe just walk us through -- obviously, we've started seeing the revenue. We are on track or close to the $600 million revenue run rate. Just how satisfied has Juniper been in this ramp? What has been the customer feedback in some of these new products? Some of these new products are very innovative, they seem very disruptive. And maybe just walk us through, give us an update where you are at there.

Kathleen Nemeth - *Juniper Networks - VP, IR*

Absolutely. We did set out a target and the products included QFabric, PTX, T4000, MobileNext and ACX, collectively, and, frankly, some of the performance there has been a bit uneven in terms of our initial expectations. QFabric is one of them. So when we initially put that out, the ramp has been a bit slower overall.

Now that being said, since we have introduced the M version of the QFabric, that has been doing quite well. Overall, if I were to stack rate the contributions from those products, I would have the T Series first, then the PTX and then QFabric. As you may know, we did announce recently that we have exited MobileNext, so that will not be a contributor. And the ACX has been a fairly recent introduction, but we are looking for that to strengthen our overall MX pull with customers as we now have that available to them.

But these products have been well-received by customers in terms of the thought leadership and the way we are thinking about helping them design our next-generation network. QFabric, of course, the initial version, very disruptive, very, very leading edge in terms of the overall technology vision that we were bringing to customers. Great resonance with customers on our overall portfolio of core products, including T4000, PTX and MX2020. So the PTX in particular has gotten very good feedback from customers in terms of its ability to transport packets back and forth.

So I think that we are pleased with the traction that we are getting and I think that overall we are looking for overall market growth and looking to continue to drive revenue with some of these new products.

Brian White - *Cantor Fitzgerald - Analyst*

And ACX is very, very new.

Kathleen Nemeth - *Juniper Networks - VP, IR*

It is very new, yes.

Brian White - *Cantor Fitzgerald - Analyst*

So what would be just the initial impression customers maybe talked about, trends you are seeing?

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Kathleen Nemeth - *Juniper Networks - VP, IR*

Yes, it depends by customer, but there were some customers who were looking for us to offer a product like ACX and so they are pleased that that is out in the market. But, again, we look at that more as how do we augment our MX when we go to market with customers and how do we leverage that capability and that technology.

Brian White - *Cantor Fitzgerald - Analyst*

Okay. Routing? It is the core of what Juniper does; it is what the Company was built on. Your biggest competitor in the routing market highlighted weakness just a month ago, both in the Core and the Edge. It is unclear if this is driven by spending slow down or share losses. Your routing business has actually done very well. You are the number two player in that market. So just what are maybe some of the trends you are seeing in routing and how would you differentiate Core versus Edge in terms of the trends?

Kathleen Nemeth - *Juniper Networks - VP, IR*

Well, we have been seeing healthy trends in routing, beginning with some early visibility last September when we started seeing bookings strength on the routing side. I think the fact that we have all of our new leading-edge routing products out in the market is very helpful to us as we have been able to align it with a period of investment by our customers. So certainly that has been helpful.

Having an approach to the Core where we look at the Core holistically and are able to help customers rethink and maybe re-architect that part of their network is helpful. And then the MX portfolio has been very, very strong for us. We have continued to update that platform. We continue to work with customers on helping them, whether it is to convert some of their wireless and wireline or help them deploy services faster by bringing in the MX. So that product itself has been very strong.

So for us, we have seen healthy trends overall. We have good visibility into our pipeline as we look forward and so that has been a bright spot for us in the business throughout 2013, for sure.

Brian White - *Cantor Fitzgerald - Analyst*

It is really night and day when you look at your business relative to peers, so it may be share gains?

Kathleen Nemeth - *Juniper Networks - VP, IR*

Yes, I think that we have worked hard to increase our relevance with customers in different parts of the network, for sure.

Brian White - *Cantor Fitzgerald - Analyst*

Okay. Just moving on to security, you acquired NetScreen, I guess it was in 2004. A lot of -- there has been some interesting innovations I think that has come out of the security at Juniper. That said, the area has been challenged over the past several quarters. I guess it represented $144 million last quarter in revenue. You talked about returning security to growth in 2014.

So to me, security seems like a hot area in IT spending. Maybe just walk us through why has Juniper struggled just in recent quarters, and why do you think you can return to growth in 2014? What is going to be the driver there?

Kathleen Nemeth - *Juniper Networks - VP, IR*

We have struggled in security. We have been very transparent about that and it is helpful to look at the security opportunity for us. So there are three areas. The first is within securing LTE mobile networks and we do that with the high-end SRX and we have been very successful there. That business, like a lot of business with service providers, can be lumpy and of course, the deployment of LTE networks around the world has been somewhat uneven. We have seen good buildout here in the US and we are looking for other regions to start that.

Then we have our campus and branch, which was a large part of our security business for quite some time and that is basically what we acquired through the NetScreen acquisition several years ago and then we have new opportunities within security within the data center, for example and we are looking at ways to leverage some of the recent acquisitions that we have done in that space and establish some thought leadership there.

We have struggled on campus and branch and part of that is due to not having some of the ease of manageability and some of the features that some of those enterprise customers wanted and it enabled competitors to come in and take some share. So we have been working on that over the last six quarters or so. We have been clear about that. We have introduced some new features into the market, some better manageability and we have a very strong product roadmap, features and functionality that we will be releasing over the next couple of quarters.

So that is where we think that we can begin to stabilize that business and see it return to growth in 2014, but we are not there yet. We -- I would not characterize the business as being stabilized, more like bumping along the bottom. We still showed some pretty sharp year-over-year declines in the third quarter that we just recently reported.

Brian White - *Cantor Fitzgerald - Analyst*

But you still think it can grow in 2014; that is how you are describing it?

Kathleen Nemeth - *Juniper Networks - VP, IR*

Yes, we are driving for a return to growth in 2014, as we get the campus and branch element stronger and develop some new opportunities in some of the other areas that I mentioned.

Brian White - *Cantor Fitzgerald - Analyst*

Do you feel like this is an important part of the Juniper portfolio, driving sales of Ethernet switches or routing? It's important to have or is it kind of a luxury?

Kathleen Nemeth - *Juniper Networks - VP, IR*

It is important for our customers. We are a networking provider that our customers rely on us to provide secure networks. And so as some of the opportunities and landscape of the networking evolve over the next couple years, there will absolutely be a role, we believe, for us to play in delivering secure networks as we go forward.

Brian White - *Cantor Fitzgerald - Analyst*

Okay, great. We will open it up to questions if there is any questions in the audience. If not, I will keep going.

Okay, margins. Margins at Juniper fell pretty significantly if you look back. First quarter 2011, first quarter 2012, went from 22% to 12% operating margins, but you have actually rebounded nicely to 20% last quarter.

So just walk us through what happened to margins on the downside, and how is Juniper able to really strengthen margins to where we're at? And I know you've talked about a 20% -- over 20% gross margin or operating margin target. We are there, about. Are there more drivers, further drivers for margins beyond where we are at, or is this it? So maybe just a history of why we went down, why we went up, and where we are going.

Kathleen Nemeth - *Juniper Networks - VP, IR*

Sure. So from an historical perspective, to your point about margins and their decline a couple of years ago, that is fairly straightforward. We -- the top line was growing in the 20% plus range. We were building a cost structure commensurate with that. The top-line opportunity changed and it changed fairly quickly for a number of different factors. We were still carrying a higher cost structure, so you saw that significantly pressure the margins in that time period that you mentioned.

Since then, we have looked at the overall revenue opportunity and also looked at how we can get more focused within the Company, within Juniper, get more efficient and drive to our long-term model. So for several quarters, we were well above the long-term model for OpEx, which has us at 39% to 42% of sales. At one point, we got as high as 50% in terms of OpEx.

That is not acceptable. The management team does not believe that that's an appropriate range of OpEx for the Company and so we began to take steps to reduce that and get more in line with our long-term target.

So as the revenue has started to strengthen a bit as we have seen, clearly, it is not where it was a couple of years ago, but we are posting year-over-year growth and we are continuing to manage that cost structure down and it is not just a function of taking costs out to align to revenue. It is how do we get more focused within Juniper, and I mentioned this morning a couple of areas.

We brought our EX and QFabric group together, so that enabled some efficiencies. We exited MobileNext. So we have already done a bit of that pruning, if you will, of the portfolio, so that is one of the elements. But we believe that there is growth ahead for us and so we do need to continue to effectively and strategically allocate resources within the Company to some of these growth opportunities that we see, at the same time being mindful of where we want to be in terms of long-term model.

So to your point, I think that we have done a good job this year and we will continue to focus on that as we go forward. We certainly have every intention to grow revenue faster than we grow operating expenses as we go forward.

Brian White - *Cantor Fitzgerald - Analyst*

Okay, and you announced a downsizing in October. You put up very strong financial results, and I thought the outlook was healthy and much better than your peers. You announced I think a 280 headcount reduction on the call in October.

So maybe just walk us through what drove that. Is this Juniper actually being much more conservative about the cost structure because, as you said, I think it got a little ahead of revenue in the 2011, 2012 timeframe?

Kathleen Nemeth - *Juniper Networks - VP, IR*

It is a little bit of both, but I would say the bias is more towards getting more focused, so that was also the period that we exited MobileNext. So we believe that there are -- there remain opportunities for efficiencies within the cost structure as we go forward and again, I do want to reiterate again that there are opportunities for growth at the top line.

So it is the -- the bias was more toward getting more focused within the Company, within the markets we address, within the product portfolio, less than taking cost structure down just in anticipation of revenue because, to your point, we did provide a constructive revenue outlook for Q4.

Brian White - *Cantor Fitzgerald - Analyst*

Okay. I think we will wrap it up. Kathleen, thank you very much for your thoughtful insight today.

Kathleen Nemeth - *Juniper Networks - VP, IR*

Thank you, Brian, and thank you all for joining us today.
