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PRESENTATION

Operator

Please remember that statements made and the presentation shown during today's meeting that concern Juniper's business outlook, economic and market outlook, future financial operating results and overall future prospects are forward-looking statements that involve a number of risks and uncertainties.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including economic conditions generally or within the networking industry and other factors listed in our most recent 10-Q filed with the SEC on March 31st, 2012.

Juniper undertakes no obligation to update the information presented at this meeting in the event facts or circumstances change after the date of this meeting. In addition for our reconciliation between GAAP and non-GAAP historical and financial measures please visit the investment relations page of our website at www.juniper.net.

As a reminder future financial guidance is provided on a non-GAAP basis other than that with respect to revenue and share count and all future financial guidance is forward-looking and actual results may vary for the reasons noted earlier.

Ladies and gentleman, please welcome John Nunziati, Senior Director, Investor Relations.

John Nunziati - *Juniper Networks - Senior Director - IR*

Good morning, thank you for coming. I'm John Nunziati and on behalf of the Investor Relations team as well as the production and communications teams from Juniper that we've been collaborating with. I'm glad that you're able to join us for the start of our event today.

We've got a really interesting session on our -- what we call chalk talk, the strategy around the security business. I think it would be very interactive. We want it to be conversational. We will certainly have time for Q&A near the end but we'd also like to make sure that should you have a question during the presentation flag either myself or Lisa down. We'll have hand-held mics and we'd be glad to have Bob and Nawaf, who are going to make most of the comments answer those questions as we go through and then we'll leave some time at the end as well.

There will be a mix of some commentary and some demos. You can see we've got onstage demos that are going to happen. We'll run that, we should go about an hour until lunchtime and during lunch we'll have some product demos in the back for you to be able to take advantage of and then we'll reconvene shortly before one o'clock and kick off the more formal part of our meeting.

So with that I'd like to hand it off to Bob Muglia. Bob?

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Well, good morning, it's great to be here and welcome to Sunnyvale for those of who are with us here today. As John said, this is a chance for us to be informal and have a real good conversation about security and for those of you who are joining us on the Web I also welcome all of you.

Now if you look back into roughly 2004, 2005 timeframe, that was the period where Juniper first got into the security business through the acquisition of NetScreen and based on that acquisition we have been able to build a very substantive business in the security space, almost a $1 billion business last year, a profitable business, a great business for us.

And in the latter half of the early part of it, the 21st century we put together and built on top of Juniper's assets that we have in the networking space and we focused on taking the NetScreen products and we combined that with the hardware and systems expertise that Juniper has and created the SRX.

And the SRX has been an incredibly successful product for us particularly in the service provider space and it very much leverages the silicon strengths and the system strengths that Juniper brings to bear in terms of performance and reliability characteristics that are so important for very high capacity networks.

And that continues to be a great business for us. It is a leading product into service providers, the leading product there and like all service provider products we track with the service provider industry based on their buying patterns. But what we've seen as we entered this year is that as service providers in the mobile space begin to deploy LTE we've seen a great deal of strength in our SRX product in that space sitting as the security firewall behind LTE networks.

And we saw that vary measurably in Q1 and we continue to see good strength with lots of opportunity in the months ahead as operators around the world build high-capacity networks with LTE roll-outs.

At the same time with our focus on capacity and service providers we took our eye off the ball a bit when it came to the enterprise space and there were some trends that happened at the industry particularly around application identification and perhaps more to the point on management where we fell behind.

And so, that's an area of weakness that we've had over the last couple of years and it's frankly been one of the areas that I have been focused on and my colleague Nawaf have been focused on as we began running this business. Focusing on and making sure we have a world class product to meet the needs of enterprise in terms of the breadth of what they have, starting with manageability and application identification and then building on top of those strengths.

So that's an area, that's a second piece that has happened over the past years and an area of increasing and consistent focus, and we'll show you a bit today this morning of the results of that. We're going to show you a demo of what we're doing in the manageability space that is our next generation management interface which we call security design and we felt good about where that is and it will put us in a strong position in the enterprise market.

You know, and the third piece of this is really around taking and building on top of the assets that we have and taking a thought leadership position in security, building in the networking space and thinking more holistically in a broad sense on what Juniper can do to lead the security industry.

And here is where I think that bringing Nawaf Bitar on to help lead our security business has been a measurable and important step for us. Nawaf is a veteran in the security industry. He's been here for a really long time and he's very committed to taking and leveraging his strengths. He was a senior vice-president of engineering at IronPort and he came in to Juniper from Cisco.

He's been leading our security business since about the time I joined the Company in October and he's really focused on those three things, extending the leadership that we have today with our strong position in service provider, fixing URLs and really focusing on the enterprise and putting a lot of focus on that and then thinking more holistically and broadly about how Juniper can take a thought leadership position.

So with that what I'd like to do is welcome Nawaf to come up and he's going to lead the rest of the presentation this morning and go through two demonstrations, one focused on security design, the other focused on thought leadership with what we're doing with Mykonos.

So Nawaf, please come onboard. Great, welcome.

Nawaf Bitar - *Juniper Networks - GM - Emerging Technologies*

Thanks, Bob, for that kind introduction. You know, just opening comments as we get started. I want to echo a couple of things that Bob said. You know, one is the amazing success that we really have had with the SRX, building on our network heritage and leveraging that expertise, leveraging the scale, leveraging the silicon.

As Bob pointed out, the great success in the service provider market and it really has been phenomenal for my experience. When you look at this product, I believe introduced in '08, to the hundreds of millions in revenue it's doing now it has really been quite remarkable growth.

Bob also pointed out that we took our eye off the ball on enterprise and pointed to some of the content security aspects and also the manageability. I'm going to talk about those in just a few minutes but before I do that I kind of wanted to set the stage with what our vision is for a world-class enterprise security story, right. This isn't Juniper specific at all, this is what I think, you know, world class security would look like for enterprises.

And to take you through the slide I think the first thing you might notice is there is a fair bit of complexity in it and believe it or not I actually spent like an hour or two figuring out how to simplify this thing and this is the best we could come with. It's fairly complex and perhaps that explains why there are so many companies in this space, they can each focus on a particular segment or niche across this large architecture.

There are of course some companies that may be able to handle larger chunks and some that are positioned to handle the whole thing but it's a fairly complex picture. To clear this slide for you let's start at the top and the top is about the spectrum of security defense, right, and on the left side users of course who unwittingly often get themselves into trouble.

On the far right the data centers and servers in the data centers and they're subject to the attacks from all sorts of vectors whether they're direct attacks from the outside or whether it's from a user that's inadvertently brought something in. So that's a spectrum we need to protect.

Now highlighted I have firewall and IPS and that's where our SRX product is placed today just to level set you, I'm not going to talk about Juniper much on this slide but just to level set you. That is typically referred to as network security.

Interestingly enough IPS is kind of a hybrid, it's a half network security and it's half content and to be clear when I say content I'm really talking about above L4, L7 primarily at L7 with applications. IPS is sort of in-between, it's a mix of the two and it gets put into the network security category because it's limited. The types of platforms that you deploy, the way you deploy them, what you're willing to do, kind of limits what you can do in terms of the capacity that you would need to do proper content scanning.

But, nevertheless, it spans the boundaries, it's often talked about -- most often talked about as a network security product. You move forward a little bit -- you move up a little bit and these four things I highlighted even though the left box says content security, reality is the whole layer is content security.

You know, if your start at the right, intrusion, deception is something not particularly new but certainly getting a lot more mainstream press now particularly with our acquisition of Mykonos, you probably heard about that and seen demos of them, we're going to show you some of that today.

But it's a new era we have in the quiver for combating these application and web application attacks, right. And we deceive hackers. We tried to change the economics of hacking, make them invest much more effort chasing false information and it's remarkably effective.

You move over to the left a little bit, you see increased attack protection. And this is -- this is an industry known segment or an industry recognized segment. It's something we talk about. It's an area we're innovating in. What this does is protect against the assets that are inside an enterprise after a payload has inadvertently been brought in, after a malicious payload has been brought in.

Move over to the left and we have app visibility and control. And Bob identified that is an area where we've had some weakness. This is about, of course, understanding having visibility into what applications are being accessed and applying some policy and some control about what folks are allowed to do.

And it's done at a fairly granular level in the best solutions. You should be able to take a person and say they're allowed to go to Facebook but they're not allowed to play Farmville. They can't post marketing materials and so on. You want that level of granularity.

And so that's app visibility and control. And then the more traditional content security which will include things like URL filtering but will also include web security devices that protect against malware, against the inadvertent access to malware.

Moving on a little bit, we come to the client. And -- everybody has heard of the mobility trends, people talked about the mobile device explosion and BYOD, right. You can no longer have a credible security solution, a credible end to end security solution without addressing the vulnerabilities on the client.

And I think it breaks down into three things. You have to be able to provide secure remote access. You actually have to be able to provide endpoint security whether it's on the device or through a cloud service, is up to the architecture. But you have to be able to scan for bad things happening and you have to have some form of mobile device management. If the device is lost, you have to be able to wipe it.

If you want to impose pass code constraints you have to be able to do that. If the device is jail broken, you want to be able to detect it and quarantine it, not allow it onto the network. So it's important to have a solution in that space.

You move up a little bit and this is, again, an area that's not talked about too much but it seems like it's getting more airtime now with the advent of Advanced Persistent Threats or APTs and some of the high-profile breaches that have occurred, attention to nation state attacks and the huge amount of resources that can be put behind an attack.

Security intelligence, in my view, it breaks into two things, sort of an after the fact and before the fact. After the fact is about forensics, it's about log analysis. It's about event analysis, really understanding what happened so that you can prevent it from happening in the future. And that works reasonably well. The unfortunate thing about it is some unfortunate person has to be the first. And we'd like to prevent that.

The other side of it is a more proactive part in -- and it's the harder part. And it requires an ability to collect a large amount of data, have the right tools and the right people to build those tools, to analyze that data and correlate it so you can build a more holistic picture of what's going on.

And it might be specific to an enterprise or it might be more global, you can choose. And then provide the benefit of that correlation to the entire portfolio. So, for example, if an IPS device sees something that's a little anomalous but it doesn't necessarily have enough knowledge to block it, it'll let it through. And IPS tends to be more lenient in that regard. There are a lot of things that do go through.

But if that information that described that anomaly is propagated into a security intelligence cloud and then you see something suspicious happening somewhere else, perhaps in an email transaction or perhaps on the firewall or in one of the -- or perhaps your deception system has given you some more malicious activity to look at, you can then say, Okay, I now have enough to know that I'm probably dealing with a malactor and I'm going to protect against this person, and telegraph that information to the entire portfolio so anybody seeing it can now stop.

And as I said, it can be local or global and in that case the IPS device would have just known, done. I'm not letting this one through.

Last but not least is security management. And this is more particular to enterprises and service providers. It's important to service providers but it's essential to enterprises, right. Enterprises demand -- they require that security solutions be easy to deploy, easy to maintain -- heck, cheap to maintain, really more than anything else. They just don't want to hire the people to deal with the complexity, right.

They demand that and security management is a key enabler of making security solutions simple, easy to maintain, easy to deploy, cheap. And so, it is one -- in my view, it is one of the most important aspects of the entire solution in architecture.

So before moving on from this slide, the only thing I want to point out is end to end is a requirement in the modern situation against modern threats and it has to start with the device. It has to protect all the way through the network and it has to be solid at the data center.

You can put it together with pieces. You can look to some folks to provide a bigger piece of the pie and then, of course, there'll be some folks that might be able to provide an entirely integrated solution. So, that's our vision for what a modern world class enterprise security solution would look like.

I want to shift gears now and go back to some of the gaps. In particular, I want to talk about security design, our management story. As Bob indicated, right, this has held us back. We don't -- as I pointed on the previous slide, we don't have that security management system that enterprises need and demand that enables -- that would enable us to accelerate in that space.

And it just has to change, right. We have to change this to make it work. So, here's what we are doing about it, right. We've developed this application called security design. It's an application hosted on the Junos space platform. To date, we have had two releases of it, one in December of last year and one more recently last month.

We have two forthcoming releases of it in 2012. And each of those releases will address increasing number of customer used cases. What we have done with this has given a large set of enterprises, a fairly large number of enterprises early access to the technology. And we've gotten feedback from them. We've incorporated that feedback, much of it, in our last released that shipped last month. But that was so valuable in level setting for us what is important in this space that we've actually institutionalized the process.

We've made this feedback process from large enterprise customers a key part of the SD development process. And I think that's going to go a long way to ensuring that when we hit the market with a solution, we hit it with the right solution.

I could sit here and talk about security design but we thought it would be better to actually show you some of it and to those of you who know where we are today, that'll give you a sense of how far we've come and where we're going. And so to that end, I want to introduce Karim Toubba. He's the vice president of product and strategy of the security business unit. And he'll walk you through a demo. Assisting him will be Todd Ignasiak who is our senior product line manager for security design.

Karim Toubba - *Juniper Networks - VP - Security Strategy*

Good morning. Welcome, everybody. So as Nawaf mentioned, Todd and I are going to walk you through a demo. And before we do that, just a little bit of background on the work that we've been doing to build this application that lives on top of the Junos space platform.

We've spent the better part of the last year and a half engaging and dialoguing with a broad number of customers, our customers in the enterprise space most notably to really look at what does the next generation management platform provide and what is the value of that platform moving forward both in terms of tactically inside of SOC or security operations organizations.

But also as we look at the broader picture of the future of security how can management play an integral role in assisting that. And so as we move to the demo -- if it's put up on the screen, please. What we wanted to do is really walk you through a couple of things. We're not going to walk you through all the features. We're going to walk you through a couple of things that have constantly stood out as two of the biggest factors in today's enterprise use cases and requirements for security.

The first one is around next generation firewall functionality and the ability to extend the traditional firewall from layer three, layer four all the way through to the application. And the second one is around scale. So if you look at a typical configuration of a firewall that you see here before you, rule six that Todd will highlight, shows you really sort of the old way of thinking about security that you can configure at the layer three level.

We look at traditional networks, then we say people that are in the engineering network, can't talk to people -- cannot access certain servers that are in the finance network or people that are in the marketing network can access the web in its entirety.

But in today's world, that's very, very different. What you need to do is you need to move away from the classic five [two poll] source, port, destination and action all the way through up into the application layer, particularly web-based application which are causing some of the biggest problems from a malware perspective.

So, as an example, what we've done here with this particular rule for the marketing network is we're actually going to explicitly define the ability for marketing people and allow them to do their jobs by going and being able to use tools such as Facebook and Twitter to do social events, to do viral lead generation campaigns and the likes.

But you'll notice here that I've explicitly allowed them access to all of Facebook so if they want to play things like Farmville and they want to do things like chat, in this particular rule, I can allow them to do that because marketing people need to have some fun.

Now the reality is we can have much more granularity in this advanced rule set that we're showing into the engineering organization and engineering is about writing code and productivity. We want to give them access to Facebook, but we don't want to give them access to specific applications that we think are either issues with productivity or pose security risks.

In this particular case, Todd is going to choose the example I think of Farmville and Facebook chat as sub-applications on the infrastructure. So now, with a simple management configuration, I have extended my model from traditional layer three layer four, provided complete visibility into the applications that the organizations are now using.

Now, that's only half the battle of some of the next generation firewall and application visibility control features. The first half is the application visibility. The second half is the old antiquated way of actually defining policies from one network segment to the other is largely gone. We're all mobile. We're not just mobile in and out of the Company. We're also mobile inside of the Company.

I may be remote VPNing in. I may be doing an executive briefing. I may be here doing email in between a break. I'm part of the product organization in reality and I'm not bound to the physical network where I was before. So now, I can do -- I can now tie that policy of which applications, not to the network itself but to the actual group that I belong to.

In this particular case, I think Todd will show the marketing group as a group and now irrespective of where I roam, the firewalls and the management infrastructure has automatically integrated with the LDAP and AD directory structure to provide the enterprise with seamless integration from -- the group and the users with that group can access specific applications on the web.

Now, in Juniper, we have two research teams. The first research team focuses on mobile threats for pulse and puts out an annual report called the Mobile Security Suite. Our secondary research team does research and writes signatures for IPS engine but also for app firewalling capabilities that we continue to build on over time.

Now, in addition to that, because of our heritage of being open, we've also provided the capability for organizations to write their own customer -- custom signatures so that they can detect specific applications through the SRX platform.

Now, as I mentioned earlier, the second aspect of the biggest requirements we get from enterprises around manageability is what we're going to do in terms of scale and reducing the complexity of management over time. So imagine all of us are within a security operations center. The increasing evolving threat landscape drives the vendor to drive more security services and deliver more value over time.

With each service step we layer on adds more complexity. And so there's an opportunity for the management platforms that are being built now to actually reduce that complexity while still maintaining the ability to layer on services.

One of those layers of complexity that can be reduced is how to effectively manage firewall rules and how to push those out in a construct for the enterprise that makes sense and really complies with the way they think about workflows because at the end of the day future management platforms really become a workflow-based application.

So in this particular case, we brought up the window that looks at a traditional enterprise and how they categorize and structure how they manage devices. It's very hierarchal. If you're a security operation center and you have a CSO that wants to set a global policy across your entire security infrastructure for some form of compliance mandate, it's simply adding a rule, attaching it to all devices irrespective of whether they are deployed at the campus, data center and branch.

And the application will propagate that uniformly with a single add across the entire infrastructure. Conversely, if you would like to look at different app -- different firewalls and policies and group them based on the business needs. It could be business group infrastructure.

In this particular case, with a large -- very large retailer that we worked with, they wanted to group it by geography. So we have an east, west, and central. And one of the reasons they wanted to group it by geography is because they want to have the ability to push out the policy on an intermittent basis based on maintenance windows.

And those maintenance windows, because of time zones, have to be very, very tied to the store. So if you think of a retailer, they do their credit card processing, and then after they're processing and batch processes are completed at night, they want to make any maintenance policies and obviously, those will be time based on the time zone basis.

So we've allowed the capability to set the policy once on a group basis or on a global basis and then be able to schedule the push of that policy uniformly. This gives us the ability to integrate with workflows. But just as importantly, it gives us the opportunity to really simplify it by simply writing one single rule and having it propagate across the infrastructure.

Now it's important to note that while we've demoed in this time, the capabilities around security for next generation of firewalls and application visibility and control and some of the scale pieces, the security design application today was built from the ground up to handle all the capabilities, including next generation firewall and POP firewall policy. IPS, as Nawaf mentioned earlier, network address translation policy and probably one of the most important pieces, how do you centrally manage virtual private networks in a very complex environment?

One customer comes to mind that has roughly 7,000 locations that create some complexity from a VPN and interconnect perspective. And that principle will be applied to new security services, some of which Nawaf will talk about that we layer in through the application.

So with the interaction that we've had with our enterprise customer customers and the multi-year investment in security design, we have a high degree of confidence that we're going to be able to move forward and be very competitive in the security management and security space. Thank you very much.

Nawaf Bitar - *Juniper Networks - GM - Emerging Technologies*

Thank you. Well, as you can see. You know, we've made some great strides in this space. And we're very excited about taking it forward. We're very serious about this space. We've put together a dedicated team. They're very much focused. And they are looking both at the historical challenges that we have had, but they're also looking at how do we innovate, right. We have to address the gap that we have. We have to address that weakness, but I also believe we have to innovate in this space.

This is an area, it's so important and it's something I am particularly passionate about that it is a key pillar of our strategy. And I'm going to talk about that a little bit at the end. But it is one of the three main pillars of our strategy, excelling and innovating in this space of manageability is just fundamental. And quite frankly, it goes beyond manageability. It's really about the overall customer experience, right.

The most important thing we need to attack is manageability today, but in my mind it goes beyond that. It goes to who picks up the phone, how they pick up the phone, and it goes to if you've got a physical device, what's it look like? Does it look solid? Does it look like a -- is it -- it's got the brand to it? Is it -- instill the right emotion with the documentations? You know, every customer touch point has to be delightful.

And as I said, it's an area of passion to me, very much focus and for the foreseeable future on manageability, on security management systems, but you're going to see us make some serious inroads and take some leadership in this space.

Okay. I'd like to shift gears a little bit, and now, you know, I talked about manageability as a passion. This is a stuff that actually is fun and exciting now that I'm going to talk about. And that's the security landscape and the changing nature of the threats, right.

There is absolutely no question that the security landscape is changing, right. We know the trends -- explosion of mobile use, slow but very steady shift to cloud -- public or private, emergence of big data, as a means of doing analytics, right. People rely on that all over the place.

Well, these trends have created new and easy targets, you know, for hackers. They've provided so many points of vulnerability. It's become easier for a hacker to do their job. And as a result, you have to have, you know, the security vendor, the security architecture has to evolve with that and that's what makes security fun, is that cat and mouse game in trying to get one step ahead and trying to do it proactively.

In particular, you know, relative to these trends, the attack vector, right, has been extended to the mobile device, is very simple now for an unwitting user to download a malicious payload on to their device. It's very easy for them to just sneakernet it right into the corporate network and it's in. They could even send it and encrypt it, you know, through a legitimately established VPN tunnel.

It's an easy point of ingress and one that is, you know, creating a deal of trouble. In addition to that, the nature of the attacker has also changed, right. It used to be the case, most attackers, you know, they'd either do it for fun or they'd do it -- try to make gain on it but in a very simplistic fashion they'd kind of knock on doors. If the door is open, they'll walk through and take advantage. If the door is locked, they'll move on and find another door.

The attacker has changed, right. And we talk about these advanced persistent threats. It's a little bit of a misnomer because most of the time the threat isn't all that advanced. They are using the same set of dumb threats. It's the attacker that's advanced. They're using it in a different way. It's mot to say, there aren't advanced threats, if you look at Stuxnet, for example, which attacks centrifuges to great fanfare not too long ago, that's an extraordinarily advanced threat but there are very few of those.

Most, we're dealing with an advanced attacker that's now casing the joint, that's sending in probes, collecting data, evolving a threat, sending in another probe. If one of them gets squashed, it doesn't matter, they just send in another one.

And they'll do this over weeks and months, right. Big data actually helps. It's a security liability because what happens is an enterprise such a bank will have several discrete big data sets. You can imagine they have ACH logs. They have security infrastructure logs. They have online banking access logs.

These are typically discrete. And the -- what's going on, the access patterns inside of them, they don't correlate at all. That makes it easy for a hacker with knowledge to hide behind. If you were able to correlate, you would get earlier access. So, again, just makes it easier for them. They've gotten more sophisticated. They've got specific things they're going after and they are patient.

The way you have to address is, as I said at the top of the talk is with an end-to-end security solution and it must focus on what security is about, which is what I call efficacy, right, efficacy of the security solution. And it's a fairly complex topic. But it can be broken down pretty simply.

It's basically about stopping infiltration of malicious data, malicious activity, malicious threats. It's stopping exfiltration of good data -- trade secrets, IP. And it's doing so -- and this is an important point because is often lost on folks -- it's doing so without blocking legitimate behavior, right.

A lot of folks deploy some sort of containerization systems. If you guys are financials, you are probably forced to have some sort of software on your device. It tries to sandbox you. That's great. Every single exec I've talked to that had such device subverts it by using drop box or emailing stuff to Gmail and then bringing it back down on [DSI] -- useless, right. You have to have the solution that focuses on efficacy allows the IT administrator to say yes.

You're not going to stop a CEO from bringing an iPad on to the network. IT has to be able to say yes. They have to be able to say yes with confidence that they could do so in a secure fashion.

So, let's come back to a picture of what a world class architecture looks like. And we say enterprise and we've kind of talked about enterprise a lot here. And the reason we're doing that is because we've mentioned at the top some of the weaknesses we had and our weakness has been in enterprise.

And don't get me wrong. We're very much nurturing and developing our service provider business. The point I want to make there though about that is that with the advent and the increasing deployment of 4G and LTE networks -- right -- it's becoming more and more IP-based.

And with the explosion of mobile devices, it's becoming increasingly important to provide protection on those mobile devices. And so, what we're seeing is that there is a greater commonality of requirements now between what a service provider needs and what an enterprise needs.

I want to put this architecture now in the context of what Juniper is able to do. In all honesty, this is what brought me to Juniper. It's actually our ability to execute on all, most all if not all, of what's up here. We're not there today but we're working towards that. All right.

So, we have the firewall in IPS capability in our SRX. We have the client capability in our Junos Pulse product. It provides SSO-VPN secure access. It does endpoint security. It has mobile device management solution. We have security management in SD and, as I said, we've got some catching up to do but we're going very aggressively after it.

And now, you look at the content layer and we have two and a bit more pieces of that [lick to rate]. Intrusion deception is something that we acquired with the Mykonos acquisition. It's a new technology. It was the first of its kind in the way deception technology is being used and does an admirable job of protecting web applications.

We're working aggressively on internal and hack protection. Once a threat has made it inside the corporate perimeter, what are you going to do to mitigate? This is an area of innovation for us.

AVC, Karim mentioned our app secure technology. We'll continue to work on that. We're going to provide a great solution in that space. We are providing a great solution in that place. We continue to extend it.

And then, content security, again, the traditional stuff, URL filtering, other types of web security mechanisms in use to protect unwitting users from malicious activity from inadvertent downloads, right. And the boxes, I kind of laid out in how they protect users, servers or datacenters. So, we have a very strong play there.

But where it gets really interesting is in security intelligence. And what Juniper is positioned to do is actually connect, collect and correlate a phenomenal amount of data. The sheer footprint of all our devices and the diversity of those devices whether it's a switch, whether it's a router, whether it's a pulse client, whether it's SRX, whether it's Mykonos -- those are all capable of providing some phenomenal telemetry. We have started building out.

We have the makings of the team, up in San Francisco where we've hired researchers and folks, statisticians with mathematical backgrounds that are actually going to be able to look at that data, come up with the tools to do automatic analysis, do automatic correlation. And then, we are going to be able to feed that back down to the devices and protect the entire portfolio.

That's our vision. The thing that is exciting about it is that we have the ability to do that. And I think we'll get there. So, that puts this slide in the context of what we intend to do.

And I now want to introduce Edward Roberts who is Vice President of Marketing at Mykonos Software and Kyle Adams who is the senior staff engineer at Mykonos Software. They're going to give you a demo of Mykonos's deception technology and perhaps a little bit of insight in the types of things you can now collect for later analysis and the types of attacks and threats you can stop. I think you'll find it very exciting.

Thank you. Come on up guys.

Edward Roberts - *Juniper Networks - Director - Product Marketing*

Good morning. So, I am Edward Roberts. And with me is Kyle Adams, the Chief Architect. Thank you for inviting us here this morning. We're really excited to show you what Mykonos web security can do.

And what I want to do first is sort of talk about how the industry has entered a new era. Hacks used to be sort of egg-on-your-face moments for companies. They used to be sort of embarrassing but have minimal financial impacts, 2011, that changed.

That was the year when we had the first public quantifiable multibillion dollar attack. The Sony PlayStation attack is estimated to have cost $4 billion. And while that number is huge, it's more interesting to know that what they did was they shut down the network for 23 days. Think about that. 23 days, they shut down that network and no one could access it.

Imagine if it was a financial services company that shut down their access to the accounts so people couldn't get money out of their banks for three weeks. Would that be possible? Imagine if it was an energy company where they shut down the grid and people would be without power for 23 days. Not many companies could survive a $4 billion attack, let alone a 23-day outage.

Now, what this does is it brings two issues to the fore. What comes after signature-based security? And also the need for connected devices that Nawaf was talking about.

At the RSA conference, every year, we ask 400 to 500 people in -- from companies, large, large companies, one question, how would you know if you had a hacker on your website right now? And the shocking thing that they say for 80% of them is we would have no idea. These aren't unsophisticated companies, these are financial services companies. These are federal government agencies. These are e-commerce names that you know very well. That's a startling fact.

The other 20% would say we would check the log file which basically says we'll wait for an attack and then we'll go look at it afterwards.

Now, the security industry has long focused on log files and forensics. It's the equivalent to showing you a picture of your house after it's burned down. It's interesting but not really very good at solving the problem. What you're looking for is a smoke alarm that detects attackers before they do the attack. Mykonos has created that smoke alarm. Now, what do we mean by that? Mykonos Advantage starts with intrusion deception. What does that mean?

What it means is we inject fake deception detection points into the code as it's being delivered from the web application down to the user. When a hacker attempts to play with one of those detection points that we've inserted, they identify themselves by the very behavior without any chance of a false positive and before the attack has actually occurred.

This allows you time to look at what's happening. It gives your security team a chance to respond.

Kyle is now going to show you an example of intrusion deception in action.

Kyle Adams - *Mykonos Software - Chief Software Architect*

All right. So what I'm going to do is show you an attack against our fake electronic retail store called Generic Electronics. So, what I'm going to look for is the file called HTAccess. It's an Apache configuration file and no site should ever really expose it but a lot of them often will.

And what you'll see is I actually got back an HTAccess file. But that's not because Generic Electronics is serving one out, it's because Mykonos has actually served back a completely fake version of the file.

And what this tells me is that there is another -- a resource called recoverpassword.cgi that's being password-protected. And it looks really interesting because if I can log into that maybe I can do something like recover the administrator's password. But I don't have an account to log into it yet. So, I'm going to look at this file and I see there is also an HT password file referenced. So, we're going to go ahead and try to get to that, too.

And you'll see again we get back a file. But this isn't because Generic Electronics has it, it's because Mykonos is serving it down. And I might have to stop here because these passwords are all encrypted but let's stay I know how to use a tool like John The Ripper and I can throw this file into my tool and a couple of hours later it's going to pop out and tell me that the password for [Barton] is actually [trapper]. So, now I am going to go and actually try to get into recover password with the compromised account.

And it's prompting me to log in. So, this is exactly what I expected to do so we're going to log in with Barton and trapper and what I get back is a 500 error.

So, what that basically tells me is that the script is there but it doesn't work or I didn't supply the right inputs to it. Either way I just spent about eight hours of my time to accomplish pretty much nothing.

Edward Roberts - *Juniper Networks - Director - Product Marketing*

So, as you can see, the hack has been prevented. But, more importantly, we changed the economics of hacking. You are making them have to think about what companies they are going to go after or what assets they are going to go after and you're making hacking your site more difficult and cost more resources for them.

Now, once we've detected them, what do we then do? We track the hacker with a super cookie and also fingerprint their device. This goes beyond the IP address where most people and most security devices play and allows us to detect -- track in a much more granular fashion.

Once we track them, what we do is we become a DVR. We record everything that the hacker does, record the attack in action for playback later. And once we understand the capabilities and in the intent of the hacker, what we do is we respond to them. And unlike web application firewalls where only 10% of them actually run in block mode, 100% of Mykonos devices run in block mode.

But we just don't block them. What we actually do is we deceive them, for example. We may slow down the connection just to that hacker so they are effectively hacking in slow motion. Again, changing the economics of hacking, making them hack in slow motion, making it take longer.

We may break their automated tools. They may be scanning your websites and looking to find vulnerabilities. We will inundate it with fake vulnerabilities, therefore, making the results useless of the scan.

We will also stop botnets who are trying to pound into your site by throwing up captures that have to be resolved by humans.

But we also might intentionally warn people. Some people, they are just being nuisance script kiddies that may not be demonstrating some level of sophistication. And so, Kyle is going to show you a fun example of what we do here.

Kyle Adams - *Mykonos Software - Chief Software Architect*

All right. So, I am going to try another type of attack against Generic Electronics. So, I will just go back to the main site.

So, I'm going to try to mess around with some of the HTML behind the page. So, we're going to go over to the registration form and I am going to use a tool called Firebug to select one of the inputs on the form. And this is going to let me look at all the HTML that makes it up and make modifications to it.

So, as I am looking through the HTML, I see a whole bunch of hidden inputs here. And there is one specifically called off-key one equals default. So, again, this really looks interesting. It has the term off in it. So, who knows what I can get there? So, we're just going to go ahead and change the value default to some huge number and see if we can get something back.

And what I am looking for is any sort of error or unusual result that would let me know that I am on the right track. So, we'll just fill out the form. Submit it. And I don't really get anything interesting back but that's not surprising. I'd have to try a thousand of different attacks before I finally find one that has some sort of useful result to it. So, we're just going to keep navigating around the site and see what else we can find.

But what you'll notice is Mykonos has now thrown up a dialogue that says Hey, it looks like you might need a criminal attorney in your local area. And then, it shows me a list of four criminal attorneys in Sunnyvale, California.

Edward Roberts - *Juniper Networks - Director - Product Marketing*

As you can see, there are ways of warning people and that might effective against somebody at a pretty low level off your site.

Every company is facing the threat of hackers. There are two common reasons for it. They are worried about the theft of money and the theft of data. And we've seen tremendous industry -- tremendous interest from industries, from financial services, eCommerce, government and defense, higher ed, SaaS, healthcare.

And also given Juniper's expertise in the service provider market, we will add in 2013 capabilities to better support service providers in both sell to and a sell through model.

Increasingly, though, as Karim showed earlier, industries are being sold the power of visibility and concentrates in mostly on employee visibility. And it's not really a shock to find out that your employees are on Facebook. And it's not really where most of your threats are coming from. Where you have major attacks, if you look at the Verizon data breach report, show that 90% of attacks are coming outside in.

And so, employee visibility, while it's interesting, having visibility into this and you don't want to be the next Sony or the next LinkedIn or the next eHarmony and that's just last week alone.

So, we want to show you our secret weapon. We call this the battlefield report. And what it does is email to all executives responsible for the website and it shows you how many attackers have been hitting your site, how many attacks they've done and then, most importantly, how many have been prevented.

The moment you realize that 100 hackers have hit your site every week and they keep coming back, (technical difficulty) ever take this out. (Technical difficulty) software.com, gets very little traffic. Is a small-traffic site. And last week alone, it got almost 100 hackers hit it during the week. Large enterprise companies are getting hit with thousands and thousands of attacks every week. Wouldn't they like visibility into that?

So, that gives you a quick window into Mykonos web security. Hope you appreciate the demonstration and hope you've understood how we can stop web attackers with a brand new approach. Thank you very much.

Nawaf Bitar - *Juniper Networks - GM - Emerging Technologies*

Thank you. I love that technology. I think it's very exciting.

One of the interesting things about it is that it's also easily extended to other products in our portfolio. And so, I think deception has a play across an end-to-end security solution and I think we'll see more and more of it here with the passage of time in the industry.

So, in closing, what I want to do for you right now is just kind of summarize a little bit of what I said and leave you with the 15-second pitch of where we're going, what our strategy is for success in security.

So, address the enterprise gaps, right. We highlighted two important ones -- one in the manageability of security management systems. And the second, in some of the aspects of content security. We're going to work on those, right, and in security management of content security.

The next thing is -- so those are the gaps and we work on those. We then move on to what are we going to do next, right. And where are we going to provide thought leadership?

And it is in what I've talked about as efficacy and then put up a new term we're just using internally. But it's about just taking security back to its roots. It's about doing security better, it's just about being the most effective we can possibly be and certainly being the most effective relative to our competitors, and so we call that differentiated defense.

So when you look at our strategy in total, right, and we address the gaps, first and foremost, and then we lead beyond that in security management. We lead in content security. We build on our network heritage, right. So it's not like we're neglecting that by any stretch of the imagination.

We take a leadership position in content security. And then, finally, the solution as a whole is more effective. It will be a differentiated defense. So we're very excited about that. We're excited about making enterprises safer. We're excited about making the Internet safer and I look forward to you seeing some of the results of our work.

So, thank you very much. And we're going to open up to questions.

QUESTIONS AND ANSWERS

Unidentified Company Representative

Thanks. Thanks a lot.

So if you -- I think -- first question.

Simona Jankowski - *Goldman Sachs - Analyst*

Sure. Hi, Simona Jankowski with Goldman Sachs. So just a couple of questions -- you talked about a couple of gaps closing and then also where you want to move ahead next. In terms of the two gaps, you've talked about the manageability now which I think you're pretty close to now having to market. At what point do you expect to have closed the content security area as well?

And then just as a follow-up on the Mykonos demo in the introduction there, is that a feature -- is that going to be productized as a feature of your SRX portfolio? Or, is it going to be a standalone product? And, you know, is that going to be a meaningful piece of the revenue or just more driving the existing product line?

Nawaf Bitar - *Juniper Networks - GM - Emerging Technologies*

I want to make sure I remember all of that. So, yes -- so you saw SD and in fact, we've taken that to market and continue to evolve increasing a number of use cases coming this year in 2012. The content security stuff, right, so we already have app secure in the market today.

Mykonos software also protects in that space. It's in the market today. We're going to continue to do work in that space to fill it out further and then also to innovate in that space particularly in that area of internal attack protection. You know, once the threat has made its way in, there's a lot of opportunity to mitigate the damage as it relates to the mobile user.

With regard to, you know, when we put Mykonos on other components of the portfolio, certainly it's something we think about. It's just about, you know, deciding. Is that the right thing to do and when's the right time to do it relative to some of the other things to do that we are doing. So the answer is maybe, no clear view as to when.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

A couple of points I'll add to what Nawaf said, the -- when it comes to the app ID technology, we are building a general purpose TPI engine which will be both part of the SRX product as well as available as a feature, a software feature on the MX. So that technology is common and the similarity of our platform allows us to do that.

In terms of Mykonos those, we see it as an opportunity to grow incremental revenue. It's an extension effectively to our business and we want to make sure it can be attached to Juniper devices as well as non-Juniper devices.

Unidentified Company Representative

Over here, Mark Sue.

Mark Sue - *RBC Capital Markets - Analyst*

Thank you, Mark Sue, RBC. Just two questions -- first, if we could get a sense of all the improvements that you're making in the security products, do you think it will help you leapfrog some of the competitor offerings that are out there or does this kind of get you on par? I asked because it's very dynamic. You have competitors such as F5 who's been very vocal about replacing a lot of the Juniper products because the performance is higher and the cost is lower.

And then separately, just on -- you have a pending lawsuit, I guess, the nature of that against Palo Alto Networks. You feel you have a lot of IP that you can protect. Any details on that would be helpful. Thank you, gentlemen.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

You want to take the first one and I'll take the second?

Nawaf Bitar - *Juniper Networks - GM - Emerging Technologies*

Yes, certainly. So -- gosh, refresh my memory, sorry.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

The -- so in terms of the first question, can we leapfrog --?

Nawaf Bitar - *Juniper Networks - GM - Emerging Technologies*

Yes.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

I think the answer to that is we definitely believe we can leapfrog. There are parts of what we're doing that can certainly catch up in terms of enterprise manageability. But when we look at the breadth of the portfolio that Nawaf put together, I think it very much is a leapfrog.

Nawaf Bitar - *Juniper Networks - GM - Emerging Technologies*

Yes. So, you know, I'm going to a little more in-depth on that. So, I think this is just about -- you know, in the words of Gretzky, right. It's about skating to where the puck is going to be, not where it is today. There are certain tables, fix things we have to do and we just got to fill them out and Bob pointed those and I spoke about those -- in management in some aspects to content.

Now, we will lead and we are working on that leadership position now in areas of content security and in security intelligence, right. So it's one thing to -- you know, so performance is very important.

Features are very important. And, you know, don't get me wrong. We're not losing sight of that at all. It's our bread and butter. It's what got us here today, right. But, no matter how performant your security solution is, it's only as good as it is at stopping bad stuff from happening. And so, I think that's going to be a very huge differentiator.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

But then we continue to lead in performance. The point of our performance is the SRX is the performance leader today and it will continue to lead.

We have a great roadmap for continuing to enhance that and we feel very confident on that. In terms of the Palo Alto Networks lawsuit, I mean, there's nothing I can directly comment on that except to say that, you know, Juniper takes intellectual property very seriously.

You know, we feel that the lawsuit is significant and it reflects our ongoing commitment to protect our intellectual property and to do things to the benefit of our shareholders and we'll watch how that plays out.

John Nunziati - *Juniper Networks - Senior Director - IR*

Great. Bob, thank you. We've got time for this question and one more.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

One more question.

John Nunziati - *Juniper Networks - Senior Director - IR*

This one and one more.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

And we will have time -- we'll be here all day. So you have plenty of chance to ask those questions.

Vijay Bhagwat - *Deutsche Bank - Analyst*

Yes. Hey, thanks, Bob. Vijay Bhagwat, Deutsche Bank. Yes, I enjoyed the presentation. I have two questions if I may ask -- one is, the security architecture is fundamentally changing. So you need new algorithms such as classification.

We're setting, everyone is guilty unless proven innocent. So kind of do a brute force analysis, look at dynamic patterns versus, you know, kind of the classic permit deny appraoch. I like your talk some on Juniper's investment in classification technologies and then a follow-up.

Nawaf Bitar - *Juniper Networks - GM - Emerging Technologies*

Yes. So, you know, what you're referring to, right, are kind of the brute force methods, pattern matching, signature-based recognition. You know, those are important. They're an important part of the defense infrastructure, but they're limited in what they can do.

They're limited by the capacity of the infrastructure on which they reside. They're limited in the ability to actually pattern match, develop those signatures. And, you know, they require something to go wrong before you can issue a signature.

So, you know, we believe that there are better ways to do things. So again, we have to do the basics. We do, do the basics today. But we believe there are ways that don't necessarily suffer from those weaknesses. And so, you'll see some of that work coming over time.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Okay. So let me say it again, thank you all very much. We will be around throughout the day to answer your questions. And I hope that this session has given you a -- some context in terms of the steps we're taking in our security business. We're very excited about the potential. We have a great business today and we think we're well-positioned to continue to grow that in a growing market in the months and years to come.

And I think Nawaf is really driving this charge for us, as an industry veteran who brings a lot of experience. And so, I know he welcomes your questions throughout the day as well as I do.

So thank you very much. I look forward to speaking to you later today. Thanks.

Nawaf Bitar - *Juniper Networks - GM - Emerging Technologies*

Thank you.

(Break)

PRESENTATION

Operator

Ladies and gentlemen, please welcome Kathleen Nemeth, Vice President, Investor Relations.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Good afternoon, everyone. On behalf of the over 9,000 Juniper employees around the world, it's my pleasure to welcome you to our 2012 financial analyst meeting. It's great to see so many of you here with us today this afternoon. And I also want to extend a warm welcome to those of you who are joining us on our webcast.

This year, our financial analyst meeting is being held here in our headquarters at Silicon Valley and we're so glad that so many of you are able to be with us here in person today.

We have a very full afternoon planned for you. The first half of our meeting will focus on our strategy, our products and technology and will feature our CEO, Kevin Johnson, as well as Stefan Dyckerhoff, Bob Muglia, and Pradeep Sindhu.

After the break, we'll dive into our go-to market execution where you'll get to hear from our chief sales executive, Gerri Elliot, as well as our sales leadership team. And then, our CFO, Robyn Denholm will wrap up today's presentation with a look at our long-term financial model. And we also hope that many of you stay with us for the reception immediately following today's presentations where we have several demos set up where you'll be able to see our new products.

Before we get started, just a couple of quick housekeeping items. First of all, there will be plenty of opportunity for Q&A. Please wait for a mic before asking your questions for the benefit of those who are listening in on the Web.

Secondly, if you need Wi-Fi, there're cards on the table that have directions for how to access the network. And third, our safe harbor -- very briefly, I'd like to remind you that when we make forward-looking statements today, there are risks associated with that, for example, whether it's about the economy, the overall market outlook, and those involve a number of risks and uncertainties.

Our results could differ materially from those outlined during today's presentations and it could be impacted by changes in overall technology spending as well as other risks listed in our most request 10-Q filed with the SEC. And also, finally, please note that we will reference non-GAAP metrics today, for a full reconciliation between GAAP and non-GAAP, please see the IR section on our website.

And with that, I would like to introduce our Chief Executive Officer, Kevin Johnson.

Kevin Johnson - *Juniper Networks - CEO*

Well, good afternoon and thank you for taking the time to join us today.

It's a busy couple of days for us here at Juniper, certainly hosting you today and focusing on the financial analyst community. Tomorrow, we're hosting an industry analyst event. We have, I think, 10 customers and partners who will be here with us tomorrow to go a bit deeper on their experiences with our new technologies and work that we're doing with them.

But really, you know, I thought today to kick this off a focus on innovation and growth is very appropriate. We're a company that is 16 years old. And at our core, the lifeblood of what we do is innovation and building great products. Now, as the Company has scaled, it's become very clear that world-class execution, not only execution in how we build those products, but execution in how we take them to market, execution in every part of our company is critical and essential to our success.

In fact, you know, some factors influence our results that we are not in control of. You know, the addressable market will do what the total addressable market will do. But at the end of the day, much of what we do is absolutely within our control. It's within our control around clarity of focus and operational excellence.

Now this formula has served us well throughout the history of Juniper, and it will continue to serve us well. The way we think about this formula for creating value starts with thought leadership and innovation. Certainly, the Company was founded 16 years ago with a vision for a different way to build networks. It was a vision that was based on innovation -- innovation in the silicon, innovation in the systems, innovation in the software.

More recently, we're now adding innovation in the network architecture. All of that comes together through the investment we make in R&D to create breakthrough products. Great products are absolutely core to our agenda, and they are core to our growth aspirations.

Now certainly, operational excellence plays a key role as well. Operational excellence is required to build great products. Operational excellence is required to sell great products. And, you know, 16 years ago, our business was much simpler.

You know, today, we have more product families. We have more customers. We have a very dynamic competitive landscape, and so driving operational excellence as the Company has scaled is really core to the agenda and the set of things we're doing to create value.

Now certainly by driving operational excellence, we believe we have an opportunity to unlock even more value through efficiency and productivity gains. You know, certainly, Robyn is going to talk a bit more about that later today.

And then finally, it's about world-class talent. And, you know, it's great engineers and thought leaders that build these great products. It's great salespeople that sell these great products. It's great marketers that help market these products. Talent and building great talent in this company is absolutely critical for long-term sustained value creation.

So at the core of what we think about strategically, we think about these three things -- are we doing the right things to really drive a thought leadership agenda and create great, great products in the market? Are we doing the right things to really improve on our operational execution, deliver operational excellence, excellence that leads to great products, to great sales results, to great customer satisfaction? And are we creating the environment to attract, retain, develop world-class talent to help us carry this forward?

Now it's important to think about how this formula has really helped our company, and to look at that, I thought we'd just start by taking a look at the last five years. Now as this chart shows, we have nearly doubled our revenues since 2006. We've driven growth across both our service provider customer sector, as well as our enterprise customer sector.

And when you look at this growth, the formula has been consistent. Roughly half of our employee population is in engineering disciplines, engineers that design, develop, test and create great products, starting with the silicon, building that silicon in to great systems, building software into those systems and then wrapping that together in a go-to-market that allows us to monetize that investment in R&D.

And just to prove the point that this is a business about great products, of the $4 point -- roughly $4.5 billion of revenue in 2011, $1.8 billion of that revenue came from three product families that were introduced since 2006.

In 2000 alone, $1 billion of revenue came from our MX product family, $500 million from our EX product family and $300 million from our SRX product family. It just proves the point that building great products is the fuel for our growth agenda.

Now, I would argue we're at a very interesting point in the evolution and growth of Juniper. We're in an interesting point because we have a phenomenal new wave of products that are just hitting the market, that these are products that we've been working on for a number of years, products that have taken a great deal of engineering, focus and discipline and execution to get these great products to market.

And we're just now on the cusp of seeing those products translate into the wins and the revenue momentum the same way, if you look back in 2006, that we were on the cusp of introducing products like the MX, the EX and the SRX product families.

Now, the two key market trends that are really driving the thinking and the innovation of these products continue to be mobile Internet and cloud computing. These two megatrends are fully intact. These play to our strengths at Juniper. These two market trends play to the strengths because they're about scale and they require network performance -- and not only network performance, but network performance in the most efficient way possible. Now, we're building our portfolio to ensure that we maintain a leadership position as these trends accelerate.

Now, just to amplify that, these trends are part of what's contributing to a significant addressable market opportunity for our company. If you just look at industry analysts with Infonetics in Delaware for 2011, the total addressable market that we're pursuing or focused on is a $50 billion addressable market. So we, roughly, in 2011, delivered a 9% to 10% of that addressable market, $20 billion of that is the addressable market allocated in the service provider opportunity and $30 billion in the enterprise.

Now, Robyn is going to take you through more details of how we see these markets growing. But just as a placeholder, we believe the service provider total addressable market from 2013 to 2015 should grow at about the 10% to 11% range CAGR. The enterprise addressable market, we believe, will grow 5% to 6% over the years 2013 to 2015.

Robyn's going to take you through more of what that means in terms of where that's growth is coming from in routing, switching, security and how we intend to capture that and drive an operating model that aligns with and delivers value creation for our shareholders.

Now certainly, it's our strategy to capture this opportunity. And there are five key pillars of our strategy. We're very consistent on this. These pillars have not changed. Number one is we are focused on high-performance networking, and we're going to stay focused. We have significant addressable market to go capture. We're not in a situation where we have to expand into other technology disciplines such as storage or compute.

We're staying focused on the domain of networking. And we're staying very focused on the areas that we add unique and special value, which happens to be the high-performance areas of networking. We're not focusing on the commoditized areas of networking. We're focused where scale, performance, efficiency matter -- and that's where we can do our best work.

Now, certainly, our best work involves innovation and building great products. You're going to hear more about those today, whether it's great products that we've released to market like the PTX and the way that we've changed the paradigm for how you architect the core of the network to include the Converged Supercore.

PTX is just one example. But at the core is staying focused on the market trends and how we can solve unique problems, complex problems and do it in a way where we are relevant and differentiated from our competition. Innovation and building great products, we are committed to that mission within the domain of networking.

Now, certainly, for every dollar of R&D we invest, we intend to leverage that investment and monetize it in both service provider and the enterprise sectors. Now, certainly, roughly 60%, 62% of our business last year came from the service provider sector. I think 38%, 40%-ish, in that range, came from enterprise. So we are building on our heritage in our core and service provider. We continue to grow our service provider.

But examples, when we innovated and built the MX router, certainly, our focus on that was filling the needs of the edge of the Internet with service providers. Well, today that MX product has been expanded in a way that it also serves the wide area network needs of the enterprise. The MX is an example where we invested our dollar of R&D, we monetize it in service provider, we monetize it in enterprise.

The SRX is another example. We innovated in a way where our security base was primarily focused on enterprise, but, with the SRX, we are now a key part of the solution for securing LTE networks. And you'll hear more about that from Bob and from Stefan later today.

Fourth point is really focusing on diversifying our customer base. And I think about this in two dimensions -- as we have a key account, a very large set of -- a very large customer, we are deepening our relationship with that customer. We're doing more projects in more parts of their network. That's what I call depth, and the fact that we have a strategic relationship with this customer and that strategic relationship starts at some part of their network and it grows from there.

We're putting more focus on how we're deepening our strategic relationship with our very largest key accounts, while, at the same time, expanding the breadth of customers that we work with. And this is true in both service provider and enterprise.

You're going to hear from our teams today about some of the relationships that we've established in both our large service provider customers and enterprise customers that are growing and deepening. And you're going to hear about the fact that we've expanded and reached out to serve more service providers and more enterprise customers.

Diversifying the customer base is important because, in many ways, that can help, perhaps, over time, smooth out some of the lumpiness in terms of revenue flows for the Company. It allows us to have a broader reach and be able to monetize the investment we make in R&D across a broader range of customers and deliver more value to those customers.

And then, certainly, we are focused on complementing our system strategy with a focus on Junos Space software solutions. Certainly, we're investing and continue to innovate in the silicon that goes into these systems, in the systems themselves, in our Junos operating system. And Bob and Stefan will take you through a number of great examples where we've now extended that in terms of software that runs on top of Junos, enabling unique solutions, for example, the set of software that we have running on our MX Edge router.

Great examples there. That's helping us not only complement the value proposition that we have of our underlying systems business, but it's also helping us broaden the range of solutions we can deliver to customers on that system's platform.

Now, this strategy is reflected in the portfolio that we're taking to market. And just to give you some perspective, in the first 10 years of the history of Juniper, there were really three domains or three parts of the network that we ended and built a portfolio around.

Certainly, the Company was founded on the innovation that went into our M Series core routers and the T Series routers. We did an acquisition to get us into the edge with our E Series. We did an acquisition of NetScreen to get us into security, primarily focused in campus and branch. But you look at that first 10 years, we built a base of business because we were differentiating in ways that matter to customers in the core of the network, in the edge of the network and starting then to build a base around security.

In the last six years, we've expanded that portfolio. And I'll show you how that portfolio lands by domain of the network. There are seven domains in a customer's network that we are focused on the core, the edge, access and aggregation, data centers, wide area network, campus and branch and consumer and business devices.

And you can see what we've done. We've systematically focused on how we innovate in the silicon, the systems, the software to now take that portfolio and provide a range of solutions all in the domain of high-performance networking that can solve unique problems for customers.

Now, in many ways, I look at this and we've built our strategy around the way customers think about their domains. In fact, we've built our strategy around the way we can leverage R&D in our products of routing, switching and security to solve customer problems in those domains.

So if you organize these product families into routing, switching and security, it looks like this. The routing portfolio has a set of product families, the switching portfolio has a set of product families, and the security portfolio has a set of product families. Clearly, when you want to look at it by routing, switching, security, those are the three businesses we're in, but those three businesses leverage the investment we make in technology and, now, we complement it by the way we go to market and have the dialogue in taking that technology to solve unique customer problems.

Now, certainly, we've spent a lot of time with our customers, and we've just introduced something called the New Network Platform Architecture. This is something we're enabling in the market because it allows us to have a dialogue with our customer in a unique way. It starts -- it allows us to begin to bring an architectural element to the discussion of how customers should architect their networks, to take maximum advantage of the innovation and technology that we're delivering in ways that are highly relevant to them, fundamentally transforming the economics and the experiences that they get from networking.

Now, I've allocated about 30% of my time to focus on customers. I spend my time traveling and working with our field teams, engaging with customers. And it was about four years ago with our large service provider customers that they started this concept of really looking at their networks in what they would call domains.

And they were doing it because they wanted to build discrete elements within their networks so that they could think about the architecture and the technology suppliers within that element of the domain and how they can best optimize those networks within those domains and how those domains interacted with other domains.

Well, we're now seeing that happen in enterprise customers. We're seeing enterprise customers in some -- in many areas. You'll hear about some today that have looked, and they said, Look, we've had a single supplier of our network technology for years. We see the benefits of having a dual vendor and having a dual vendor-supplier relationship for our networking needs.

And in order to enable that, enterprise customers are starting to say let's think about the domains that we can focus on, whether it's wide area network, data center, campus and branch -- and that's providing opportunity for us to have entry points.

And we'll hear from our sales team, but in every one of these domains -- and you'll see five of them are specific to service providers, four of them specific to enterprise customers and two of them are shared -- the core of our business with service providers is what we're doing in the core of the Internet, in our new Converged Supercore with the PTX, the edge of the networks with our MX and the opportunities that we have with SRX in securing that traffic.

When you go to access and aggregation, we've just introduced the ACX for backhaul. The same way we did Universal Edge with our MX, we're doing Universal Access with our ACX product family.

In the consumer and enterprise devices, the whole concept of bring your own device and the ability for us to provide security and antivirus, anti-malware, mobile device management for those devices to have a trusted mobile experience.

Data centers are common to both service providers and enterprise. We are engaged with both service provider customers with our technology in their data centers as well as enterprise customers and then, certainly, on the enterprise side, the wide area network and how they stitch together and connect their campus and branches with their data centers as well as the work that goes on within the campus and branch.

Bob and Stefan are going to provide you a lot more detail and they're going to provide you some examples of our traction with customers in each of these domains later today.

There are two common elements in each of these domains that we are leveraging. We are leveraging our Junos operating system, and we are leveraging security in every one of these domains. So we're trying to -- the focus is on our innovation agenda to build these systems and build these product families with the fewest number of building blocks possible and do it in a way that allows to configure them to have the maximum impact for customers and have the dialogue with the customer in the way they want to have the dialogue -- which is around this New Network Platform Architecture.

Now, as we accelerate our momentum in each of these domains, we're very focused on operational execution as a company. Now, the team is going to share with you today some of the specifics that we're doing to drive operational execution in the research and development areas as well as sales and marketing.

But, look, at the end of the day, in research and development, the outcomes that we're trying to drive are very clear -- number one, I want agility. We want to be able to deliver the right set of products at the right time in the marketplace, which means we want to be -- the speed of innovation matters and the direction of innovation matters. That's what we think of as agility.

Number two, as we're being agile, we want to do it in a way that delivers quality. Our brand is about quality. Customers expect quality and we intend to continue to deliver the highest-quality network solutions in the industry.

And number three is about productivity. We want to be able to build systems and technologies in a more productive way, with -- to be not only faster, but more efficient. And there's a set of things that we're doing there. Certainly, the structure of having the systems division and the software division was all about getting the alignment to allow us to drive on some of the things required for operational excellence -- and Bob and Stefan will take you through that.

On the sales and marketing side, certainly, we have a set of things that we're driving -- the organizational alignment around having an enterprise sector, having a service provider sector. This year, we've added the advanced technologies group and then stitching that together in a way where we are really driving towards a set of outcomes. And those outcomes have to be driving the revenue growth, has to be measured in revenue growth, customer satisfaction and productivity.

How much revenue per headcount are we getting? How satisfied are the customers? Are we winning in each of these accounts? The operational execution focus is intended to drive that in our sales and marketing.

And then, certainly, the work that we're doing around this New Network Platform Architecture provides a lot of alignment. The fact that our systems and software divisions go to great strides to make sure that we test our products, configure it in the architectures that we're talking to customers about, to make sure that not only do we have a great standalone product, but we have a great standalone domain architecture that's tested and provable and works in front of the customer.

And that provides sort of connective tissue to how our sales and marketing teams engage and talk to customers. These scenarios are very important and it's really starting to change the dialogue that we have with customers beyond a transactional point based solution into a deeper strategic relationship.

And we are adding more value in our customers because we are at the table helping them shape not only the architecture of what they're doing in the networks and how that architecture aligns with their business goals, but we're bringing high quality solutions to the table to help them do that.

Now, none of this would be possible without world-class talent. Everything we do is based on and requires world-class talent. A couple of comments here. On the engineering side for the last two years I've been systematically taking steps to get things aligned around the platform systems division and the software solution division. That is key. That gives us the right balance on not only the product expertise but the technology expertise aligned with the business understanding and expertise.

Now, doing that is really key. And I'm really pleased to have leaders of the caliber of Stefan Dyckerhoff and Bob Muglia in those jobs. They are able to now look across throughout their divisions and figure out how to redeploy resources, how to centralize things that need to be centralized.

Just a few examples. Stefan has been driving a set of initiatives to reduce the number of components that go into our systems. Now, you would say, okay, well, tell me more what does that mean. Well, if we've got different systems that are all running different power supplies, we're now creating more cost in the organization. We're making it more difficult for Marty Garvin who runs operations to manage supply chain.

And in many cases, we're not being as efficient as we can. Only way you can drive that is by really focusing on component reuse in the engineering and the architecture side. Likewise, Bob is very focused on software component reuse.

If we see areas where we have two teams working on similar functionality or similar pieces of software, we can be much more efficient and effective at driving agility, driving quality and really driving value in our customers by reusing those software components.

Now, Stefan, he started his career here at Juniper 15 years ago. And he's, without a doubt, one of the world-class leaders when it comes to network engineering and leading a networking systems business.

And Bob Muglia started his career at ROLM and then had a 22-year career at Microsoft. I think he was at ROLM for six or seven years. And then at Microsoft he's got deep understanding of enterprise, data center and software. And the two of them working together, I think, is phenomenal.

And then if you go deeper in the organization, the expertise we have in our Silicon team is second to none. The expertise that we have in engineering these systems second to none. The work that we're doing in software is world-class. We're building a very deep bench and we're attracting the talent we need to continue to fuel our growth agenda going forward.

On the sales and marketing side, we had two sectors that we implemented about three years ago. We set up the enterprise sector and the service provider sector. A year ago, I made a decision to rotate Gerri Elliott into the job leading our worldwide sales and have John Morris step into the job leading our strategic alliances.

John had more than 20-year career at IBM and his engagement with IBM and helping drive that strategic alliance and really driving on the global basis made sense. But also, Gerri had a career over 22 years leading sales at IBM and then a few years at Microsoft, all focused on leading large-scale sales forces.

What I asked Gerri to do is really go deep and drive the sales execution model, drive all the things that we need to do to be disciplined in the way we forecast, be disciplined in the way that we recruit and hire, be disciplined in the way we manage pipeline, be disciplined in the way that we drive results with our sales force.

Now, within Gerri's team, we've got some world-class leaders. Vince Molinaro, who will speak again today, he's been with us now almost four years. Vince started his career at Bell Labs in 1998. He worked at Lucent for nearly 20 years, all selling to service providers. This man really understands the business inside and out, and he's done a fantastic job leading our service provider sector.

Dan Miller. Dan Miller joined us about a year and a half ago after a 20-year career leading sales at Sun. He worked at HP briefly. Dan is leading our enterprise sector. And if you look at the work that Dan has done and what he's doing to really now take our sales model and drive that systematically in a really disciplined way, he's made fantastic progress in that last year and a half.

Manoj rotated in to take over our specialty sales force that we call Advanced Technologies. Now, Manoj is a 13-year veteran of Juniper. He's run many of the R&D groups that created many of these great products. He's now rotated over and he's leading our Advanced Technology group where we've got our fighter pilots that can go deep on any one of these technologies. So having Manoj, who is on the R&D side helping build these great products, have now the customer-facing opportunity and partner with Vin and Dan to bring those products to market is fantastic.

And then certainly on the channel partner side, Emilio Umeoka. Emilio has spent seven years leading the channel partner segment at Compaq, followed by a career at Microsoft where he led all of Asia Pacific. Emilio has been with us now a little over two years, and he has really transformed the work that we're doing with our channel partners.

So you put that together, I feel very confident we've got the right technology, the right sales and marketing leadership, and it's complemented with the work that we're doing to ensure we have the right technical expertise in the field. These are technical experts on the domains, technical experts on the architecture as well as technical experts on the products and technology.

And you'll hear later today from one of our customers and their experience in dealing with our sales force and how that technical expertise certainly led to some great outcomes.

And then finally on the sales and marketing side, we have been systematically going through and raising the bar on our sales force. And it's raising the bar on one dimension of how we're upping our game in terms of the strategic relationships that we have with our largest customers as well as upping our game in terms of the consultative selling capabilities that we have.

We think those two dimensions are really critical. They're critical for us to deepen the relationships that we have with the customers, and they are critical for us to broaden the relationships to more customers. This team is all about monetizing the investment we make in these great products and taking them to market.

Clearly, across the Company, I would say we are elevating our capability at all levels. We're attracting the talent we need to the Company, we're retaining the talent we need and we are developing great talent.

Certainly, people come to Juniper because they want to be a part of the innovator. They want to be a part of a challenger who has a thought leadership agenda, is investing and wants to innovate in ways that deliver customer value.

The culture and values of the Company is really the glue that's holding things together in the way that we work and we collaborate. And we really drive across a wide range of disciplines to bring things together and do a great work building great products and selling great products.

Now, throughout the day, you're going to hear from many of the management team and we're going to be here for questions. The questions that you have are important. And we want to spend enough time in the Q&A sessions this afternoon to make sure that we have the opportunity to answer all of your questions.

There's a set of questions certainly that we've collected, questions that we've outlined here. How has the leadership team evolved? You'll get a chance to see all of us today and a chance to ask questions. What are the key areas of our sales execution focus?

Gerri and Dan and Vin are here to share that with you. Manoj, Emilio, they're here to take your questions. What is the outlook for the markets you address? Robyn's got a full section. She's going to take you through what we see happening and unfolding on the addressable markets. She's going to take you through our operating model and what that means for Juniper.

We have questions about the topic of software-defined network. What is it and how do we think about that? Well, following Bob and Stefan's session, Pradeep is going to take you through a deep discussion on that and then we'll have Bob, Stefan and Pradeep answer your questions.

Long-term financial model, I know that's top of mind. Robyn has a complete drill-down and session on that, and we're happy to take your questions. That will include what kind of growth should we expect from the new set of products we just introduced? I shared with you the growth we've had over the last five years with the MX, the SRX and EX. We need to start putting a stake in the ground for you to help map the progress we're making on this new wave of products.

And then certainly our strategy to recapture momentum in enterprise security. Hopefully, some of you had the opportunity to participate in the Chalk Talk that Bob and Nawaf hosted earlier today where we took you through a little bit of the framework and the set of things that we're doing.

But your questions are important. You took the time and invested the time to be here today, and I want to just say thank you for that. And we want to make sure that we spend enough time answering your questions and really focusing on the things that are important to you.

Now, before I hand off to Bob and Stefan, I just want to summarize a couple of key points. Our view of creating value in the marketplace and creating value for our shareholders is a formula that has worked for Juniper since the founding of the Company. It's a formula that's about our thought leadership agenda and innovation. It's a formula that requires great operational execution and excellence, not only building great products, but selling great products.

Putting those two things together requires world-class talent. We are very focused in all three of these disciplines, and we continue to stay very disciplined and very focused on what we do and what we do well. The areas that we can improve, we're focused on, on improvement. The areas that we know are formulas for success, we're staying focused on formula for success.

At the end of the day, these are key to growing revenue. These are key to becoming more efficient and more productive. These are key to driving excellence as measured in terms of quality and customer satisfaction. These are key to doing the things that we do in an agile way. And it's the world-class talent that makes that happen.

So thank you for joining us today. It's now my pleasure to introduce Stefan Dyckerhoff and Bob Muglia. Bob? Stefan?

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

All right. Thank you, Kevin, and good afternoon, everybody. Thank you for joining us today.

So when we look at the last few years and the thought leadership agenda that we have introduced with the New Network, this has really guided the innovation engine. And that innovation engine has produced the broadest and best product portfolio that I think we've had in the history of the Company.

But with all of this macroeconomic uncertainty, what is the opportunity for us? How should we think about the market? Kevin mentioned that 2011, about a $50 billion addressable market for us. We think that market is going to grow 2013 to 2015 at about 7% to 8%.

Now, as you break that down, you look at switching, for example. Switching is a huge market, $23 billion. We're focused on the high-performance part of that market, not the entire market, but the high-performance part. We think the entire market is going to grow around 5% in that same period, 2013 to 2015. And we think that the high-performance part of switching will probably grow slightly faster than that.

On the routing side, obviously, we've seen the most uncertainty if you look at the press and look at the reports. As we look out, we think the routing market, which is about $18 billion in 2011, will grow around 9% to 10% CAGR over the same period, 2013 and 2015.

And as we look at the part of the market where we're most exposed to, which is service provider routing, we think that might grow slightly faster than that 9% to 10%. So, certainly, lots of opportunity in routing and switching as well as security.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

So complementing the routing and switching business, security is also a very large market. It's about a $9 billion market last year, and we expect about a 5% CAGR over the next three years.

So put these three markets together and what you have is Juniper participating in an overall very large total addressable market. We're still about 9% to 10% of that market, and our ability to grow within the product sets that we have and in the areas we're focused is very significant in the years to come.

And we don't see a need to change this focus. We are focused on the high-performance networking segment and we see tremendous opportunity in the places that we're working to get today.

And certainly when I think about the software portfolio that we're building, it very much complements the platforms that Juniper has built for many years. As we move forward, we see networking taking on more and more elements of capability based on software that can be delivered really on top of that platform.

So it's that complement, the platforms and the unique capabilities they deliver, starting with the silicon, put together in systems that drive unique innovation for our customers, coupled with and unleashing new value that software can deliver.

And that's why Stefan and I are working very closely together to make sure that the product portfolio that we're creating is focused on meeting the customer needs and really executing on what the customers require.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

So as we spend time with you today, we want to focus on how do we deliver this innovation to market. We've now expanded the product portfolio to what we think is necessary for us to achieve our long-term goals, how are we going to go about executing that.

But before we do that, let's look back a little bit at the last 18 months since we last got together at the last FAM. In terms of key accomplishments, for me, what stands out is, first, we continue to take share in Ethernet switching. This is our QFX product line and our EX product line with, of course, the EX product line making up the majority of our revenue.

We're expanding in the data center with our QFabric. QFabric is a product that is key for us to intersect the megatrend of cloud. And the reason we built QFabric is to gain more share in Ethernet switching. So we feel good about where we are, a lot of great work ahead of us, and we want to continue the momentum.

On the service provider side, and particularly with routing, we continue to stay focused on the key architectural transitions that we outlined last time. At the edge of the network, it's all about the Universal Edge. The MX is the platform for the Universal Edge, and we delivered the key systems upgrade, in particular, the 100-gig upgrade that we talked about last time. And of course, on the software side, there's also a lot going on with the Edge.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Right. The Edge is an area where tremendous innovation is possible in software, building upon the unique capabilities that are delivered within the MX platform. And we're building on that with services like MobileNext as well as a new and broader set of services. We'll talk about that a little bit more when we get to the Edge section, but things like DPI as well as enforcement that we'll be delivering on top of our standard Universal Edge MX platform.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Of course, the biggest product cycle we have going on is the core, and there we have two tools that we're going to use. First, as IP traffic grows, the traditional IP core will continue to grow. We launched the T Series 10 years ago now. We have about -- we have a number of chassis out in the market, about 7,000 installed, and we delivered the T4000 to evolve the IP core of today.

The next big thing in the core will be the evolution of transport towards packet transfer based on MPLS. And there, we talked about the PTX last time at FAM, in fact, we launched it at FAM and talked about delivering that product in Q1, which we did, and we have a couple of great updates for you today in terms of adoption of that product in the marketplace.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

So in security, we spent an hour earlier this morning talking about our overall strategy for security. And so what I -- just to sum that up, there's really three things. We have built a very substantive business in security, almost a $1 billion business. And with the SRX in particular, we've taken a very strong leadership role in very high-performance security that is very, very targeted at what with the service providers require.

And we see a strong upgrade cycle coming as service providers deploy LTE and need the capacity of an SRX firewall behind that, and we see ourselves in a strong leadership position there. At the same token, we have missed the ball a little bit on the enterprise side. Our focus on the service provider put us a little behind on the enterprise and particularly associated with application identification, content security as well as manageability.

And we're addressing those and focusing on filling in the gaps that are necessary within our product portfolio this calendar year with things like security design, which we already have released and have new versions coming out later this year, and some of you had the chance to see a demo of that.

The third piece is taking on and building on these things. We're focusing on how we can drive an overall complete portfolio of security and acquiring real thought leadership in helping customers to protect their assets in a world where the security landscape has become increasingly more complex.

And we showed an example of that today with some Mykonos technology that we acquired recently that provides a unique capability in the market associated with intrusion deception. But I want to point out that that's just one of the many things that we're doing across the overall security portfolio to drive a unique value proposition for our customers.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

That's great. And of course, domains is how we align, overall, from R&D all the way to the customer. It's really how we drive the customer conversation.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

That's right. I mean, Kevin talked a bit about this, but what we've done over the last five or six years in putting together a broad product portfolio enables us to address the key networking conversations that are happening within our customers about how they can use their network to gain competitive advantage. And when we think about domains, it's really a way for us to have a conversation, a business-focused conversation with the customer about how networking can add value.

And in thinking about the segments we address, which is really the service provider and the enterprise, the conversations are somewhat different. In the service provider space, the network is their business. And they look to Juniper as a key -- as a leader in the industry to help them understand the major architectural transitions that will allow them to get ahead and monetize their network assets the most effectively.

And clearly, the product lines that we build are critical for them to be successful in this business, and we're able to have a very deep set of conversations with our service provider customers around us. In fact, the connection between the work that Stefan's team and my team are doing to provide,

really, solutions for service providers that we can work with our field organizations, Gerri and her team, to go out and have those conversations is very different than we've had in the past.

Juniper has really graduated through the domains and through the breadth of our product portfolio to a very different set of architectural conversations with our customers. And we see some interesting examples of that, and Verizon is an interesting example of that, that we'll talk a little bit about.

On the enterprise side, it's a different situation, because the network is really just a part of their infrastructure. They're focused on their business and the applications that drive that. Infrastructure is required, and the network is a piece of that.

But as I've been reminded by CIOs, I was just out at a panel last week when I had a conversation with a number of CIOs, and I made that statement, that a network is a part of their infrastructure, and they reminded me that the network is a part of the foundation of what builds their company, and if the foundation isn't solid, the entire building crumbles. And they see networking as something that they need to really ensure is rock solid so that they can be successful in building their business.

So all around us, this domain is providing us with a way of having a different kind of conversation with customers. And in fact, we've gone through this before. In Barcelona, Stefan and I took you through the domains in some depth. And what we want to do today is something similar to that and talk about the domains, but let's talk also about how the products and the domains fit together.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. So it's a little bit of an update on a subset of domains that we wanted to highlight to you today. And as we look at the products, you saw Kevin put up this chart, we are focused around monetizing our R&D across the two sectors, and they are applicable across the domains. And the fact that multiple products play in multiple domains is part of the New Network strategy. It's about reuse and simplification of the architecture.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Yes, the products play across them, but the way it gets used is different. The way, for an example, an SRX is used in the edge is different than the way it's used in the data center in campus and branch. So we have to tune that to meet the needs of our customers.

At the same time, one of the things that really differentiates Juniper in this industry is having this breadth of product portfolio. Most of our competitors don't have that. But if you take the one that does, one of the big things that's very different between us and that large competitor down the street is the fact that we have a common platform across all of these products.

Our products are based on a common heritage with Junos, which means they work the same from a customer perspective and they can be connected together. And we're doing that with Junos. We also do it with our management platform, Junos Space.

One of the things that's been very rewarding for me as I've come into this company partnering with Stefan is the way we were able to leverage and build on that common foundation to make our products work together in a seamless way, something that's very differentiated for Juniper, something that the competition really struggles to do.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. So let's dive right into the various domains. First, the new domain, access and aggregation. This is a domain that actually has seen a lot of growth over the last years, growth that we didn't participate in because we were not in this market yet and that we're about to enter this domain.

The growth of the last year really has been driven by mobile and by backhaul, mainly an extension of legacy TDM technologies as well as Layer 2 Metro technologies to backhaul the traffic from, you know, that's growing in the wireless network.

The big change that's happening here is that the explosion of wireless traffic is continuing. We have 4G. We're now bringing Wi-Fi as one of the access technologies. We're bringing small sales. Fiber to the home is still rolling out. Certainly, fiber to the cell site plays a big role. And that growth, in our mind, creates a big change from a few years ago when the last upgrade cycle started. And that change is towards IP/MPLS because it is the most efficient way to solve this traffic challenge.

With the ACX, we think we have very strong differentiation. It is about performance. It's about performance in a physically hardened environment. We build a high-performance system that doesn't need a fan.

We have excellent timing technology that we acquired a year ago through a Brilliant acquisition, to make sure the performance and the quality of service and this new IP/MPLS network is as good or better as it was in the TDM network, and we have an end-to-end architecture we call seamless MPLS that ties service creation all the way from the access to the Edge.

This end-to-end solution uses both the ACX as well as the MX and gets managed both from a network management point of view as well as a service creation point of view by Junos Space. That is a great solution for customers that are struggling to see how they can expand the capacity of their access and aggregation without exploding the budget and investing into more legacy technologies.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

And this is a new product. We're about to ship it, and it really opens up a whole new market opportunity for Juniper. It is a -- an area where we really, as you said, have not participated but we have a lot of growth.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Exactly. So the SDK is key to this. We talked to you in Barcelona -- or some of you about the NSN DragonWave solution to integrate into our other RAN networks and microwave backhaul. That's another key piece of innovation to get our MP -- IP/MPLS technologies into the deployments.

We're very excited about the traction of the product. We have multiple beta customers, we have multiple design wins already and the product is on track to ship in Q3. And as we roll that out and work with our customers on this architectural transition, we're very confident in the success we're going to have here.

That, of course, ties seamlessly into the Edge. In the Edge, we're in a strong position. In the areas of the Edge that we're focused on, business, broadband customers, data center interconnect and, of course, security, we're either number one or number two. We're in a strong position.

The MX, as you heard Kevin talk about, has been a growth driver not just for the Edge, but for the entire company. The MX has shipped about $3 billion worth of product since the introduction. We have about 30,000 chassis out there, and most of those chassis are the bigger, modular kind, which we're now upgrading to 100 gig.

In fact, if you look at the evolution of this platform, this is something that sets us apart, right. We shipped the MX in 2007. Today, the capacity of the same MX chassis, let's say the MX960 that you bought in 2007, is six times higher than it was in 2007. So the fact that we can evolve the capacity of the product as customers use it in the network is a key selling point and enables the customers to grow their investment with their traffic.

And of course, on the software side, we continue to invest in the feature sets to build the Universal Edge. The Universal Edge remains our strategy, we think fixed and mobile as well as business consumable continue to come together for new service creation as well as efficiency. And the MX will remain our platform for that, and the investment that we're making in making sure that platform is always at the leading edge is very high, both in systems and in software.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Yes, we were able to take the MX and keep it in a leadership position. And in many senses, the MX personifies the focus that we've had for a number of years on the programmable network, because it provides a platform that enables a wide variety of services to be created.

We start with unique silicon. It's interesting to always go back to the roots of the Company. It starts with unique silicon and the differentiated capacity capabilities that the Trio Chipset provides, both in terms of the amount of capacity as well as the kinds of services that can be built on top of that.

And if you look at what the MX delivers, it delivers a platform that enables software teams to build a wide variety of services. We have the service delivery gateway, which has a large amount of traction and a wide variety of customers providing a broad set of core networking services that are inherent to their needs, especially as they do things like move to IPv6 networks and need to have a wide variety of services running on that.

As we look into the mobile space and the emergence of the mobile space, Juniper is branching out into the packet core space, focusing on the needs of mobile carriers and particularly as they develop -- deliver and develop LTE-based networks. And we do that through our MobileNext product. But the overall MX can support much more than that. The combination of Junos plus the MX provides, really, a broad services platform that enables both Juniper and our partners to build a set of application services that run on top of it.

So while today we have a set of core networking services and we've done things like the EPC, what you'll see in the months ahead is us introducing new services that run side by side on the MX that provide new capabilities, things like DPI support as well as enforcement capabilities, that are particularly required. They're required in both wireline and wireless, but they're particularly essential in the wireless space where the spectrum constrains capacity. And you'll see us rolling out the first set of those new services later this year.

And in general, we think about the MX as a workhorse that we'll be able to ride for many -- it's a thoroughbred, really. It's a true thoroughbred that allows us to ride for many, many years forward and build these broad set of software services.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Well, there's nothing wrong with a workhorse.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

No, it's a thoroughbred workhorse, really. And maybe I'll cut -- I'll mention on that is that same sort of foundation, that same Junos foundation lets us do some things in the security side, and we see ourselves in a strong position with the SRX. And in fact, that DPI engine that I described on the MX is really the same technology that we're building into the SRX. And in fact, we showed off some of that this morning in the security presentation.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

So if you look at those capabilities in terms of how they translate to customer success as we work with Gerri and her team around that architectural transition, you have customers like Verizon for the FiOS network. They're a big believer in the MX, the fact that you can have multiple services on the same platform, and that is certainly one of the applications. And that extends to some of the advanced software capabilities.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Yes, Telecom Italia is using the MX and the service delivery gateway for IPv6 translation. That's an example of many of our service provider customers that are leveraging the broad services capabilities that the MX delivers.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. So let's change gears from here to the core of the network.

Here, it's all about the capacity and the cost of transporting bits. That's always been the game in the core, and IP/MPLS has always been this most efficient network solution to solve that problem. In fact, if you could recall our sessions, I think we had a Chalk Talk a couple of years ago around OTN and MPLS. By now, we see MPLS thoroughly winning in the market in all of our customers. It doesn't mean that no optical transport gets deployed. It means the trajectory of the architecture is clearly towards an IP/MPLS architecture.

And I mentioned our two tools, the T4000, with over 7,000 chassis installed, every one of them can be upgraded from wherever it is today, whether you're still using T640 that we shipped in 2002 or you're using T1600 that we shipped in 2007, you can upgrade that in service to a T4000. This will be the focus on our product line.

You don't have to make compromises. The vast majority of all stock core routers are single-chassis system. If you use the T4000, you're going to be twice the capacity per slot of a CRS-3. So this is a very powerful offering to our customers and one that we think many of them will take advantage of.

And then they look at the evolution of their transport network, and that's where the concept of the Supercore is so important. The market has really embraced it. How do I flatten my network without, you know, bringing me the capability of MPLS without having to pay a penalty in terms of price at a network level for that architecture? And the PTX is our answer to that problem.

And as we see the customer traction that we're very happy with, we are happy to share a couple of key examples today. Last week, Tony Malone from Verizon talked about the fact that they're going to converge their wireless network, they're going to converge their wireless network, they're going to converge their business and their Internet network onto one core network.

The platform that they've chosen for that core network is the PTX, and we're very happy about that. It really speaks to not just the fact that PTX is a great product, but how do we work with customers to help them achieve their business goals through the architectural transitions that we see in the industry. And working with Vince Molinaro and Gerri's team and the account team for Verizon, we were able to really exercise that new muscle of architectural selling.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

It seems like the PTX and the Supercore is a good example of how we're able to have a different kind of conversation with our customers.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

I think it's a testament to the work that Gerri and her team are doing to have that level of different conversation. But it does start with the products, too. The products have to be there.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

And one thing that's interesting here, Stefan, is -- I mentioned the Trio Chipset a few minutes ago, which is -- which provides a broad set of services for the MX. We have a dual silicon strategy which I think is pretty important, right.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. The key strategy decision from a technology point-of-view we made with the PTX is that because it's all about capacity and cost of bits transported, you needed different silicon technology in this area of the network. Traditionally, the whole industry has basically built routers kind of with a little bit of a one-size-fits-all across core and Edge because, really, they were still very much generalist platforms.

We think this is changing in a fundamental way. The Edge has to be more capable in terms of services, and the core has to be more efficient. And that's why our long-term bet on driving these two silicon technologies, we think, will provide us a competitive advantage, not just the 12 to 18 months of market lead we have today with the PTX, but continued through the generation of chipsets.

The second customer I want to mention is the London Internet Exchange, the third-largest Internet exchange in the world. And they have not just committed to the PTX, but they've qualified in record time. In fact, it's already running in live production in their network in preparation for the Olympics, which is a big event for them, of course.

So that architecture there of the PTX and the MX has a really powerful effect on the way they can architect the exchange for scale, and we're very happy to have them as one of our customers.

Moving onto the next domain, the data center. So there's a lot of things going on in the data center, and you've had a lot of experience, so tell us a little bit about what's going on.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

The data center is a domain that is going -- undergoing a great deal of transition for almost all of our customers because of the emergence of Cloud. And we see customers embracing public Clouds for a set of services that are not differentiated, things like collaboration, email, maybe sales force management, customer relationship management. Those are examples of things that are tending towards public Cloud providers.

But we also see a real significant transitioning happening within customers as they take their virtualized systems and begin to automate those and provide a -- provide private Cloud environments that enable the business units within an organization to really get their needs met without any human intervention in a fully automated way.

That's really the differentiation between a private Cloud and a virtualized environment, it's the automation associated with that. And with that comes a lot of dynamism within the network. The environment becomes very dynamic, because applications can be created in just a few minutes. And sometimes, they're only up and running for a few hours at a time.

In contrast to a traditional application that might run for months or even years, sometimes applications, for example, a big data application that's focused on data analysis, might only run for a short period. And the network has to adapt to that. The network has to change, and it has not traditionally been well structured to enable that.

Now what we've done is we've built a set of products that form today's foundation for that dynamic environment, and that really starts with QFabric and the work we've done to build a very, very high-performance network that delivers a set of capacity capabilities that are really pretty unmatched in the industry today.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. As you look at these environments, the technology transition that we had highlighted in the past is the shift to all 10-gig connected services. That's what we're focused on today. Clearly, the majority of data centers today is still 1-gig data centers, smaller data centers, but the big wave of transition to 10-gig has certainly started.

As I mentioned on the conference call a few months ago, we have about 150 -- over 150 customers now on QFX, all in. All of them look at how they solve their data center problem today and how will they evolve their data center in a way that guarantees the same performance and the same kind of efficiency without having to change the architecture again as they grow.

I would also highlight the speed test that we have done, actually connecting 1500 10-gig servers into a fabric and proving that we can have the kind of performance and latency that we -- that is required for these next-generation data centers. And that's certainly been well received.

And like with any one of our platforms, whether it's the MX or the T or the PTX, we are working on creating a full platform family. So we start with a very high-end in QFabric, right, a configuration that can take up to 6,000 10-gig servers. And today, we announced that we have a smaller configuration of the same QFabric technology that is more optimized towards the sub-thousand-server category.

And certainly, as we roll that out, there are new opportunities that we can address with this new product, all the while staying focused on the very-high-performance 10-gig data centers that we think will make up the future of what data centers and Clouds will be.

So certainly a lot of work for us to do. We're very focused on working with the key customers that we have. But we have a number of key successes already. We continue to win lots of customers, particularly in the financial sectors, that have mission-critical requirements of their data centers.

In the past, we talked about the New York Stock Exchange, we talked about Deutsche Borse. Today, we can talk about Hong Kong Stock Exchange that also adopted QFX for their low-latency trading environment. We can talk about TMX Atrium that also adopted QFX for their trading environment, where literally losing a packet is a big deal.

So we see the initial validation, we're broadening the scope of what QFabric can address, but all with a keen focus on making sure the first customers have a great experience. But of course, the fabric is not the only thing in the data center. It needs routing with the MX, it needs 1-gig connectivity with the EX and it needs a whole lot of security.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

It needs security, and here, the SRX provides a very strong value proposition because of the capacity it delivers inside the data center domain. And when we look at the data center, we talked about the fact that we've been focusing on programmable networks and the need for the network to dynamically adapt to the needs of the applications.

There's no domain where this is more important than the data center. In fact, as the industry begins to talk about software-defined networks, we think that, that will first emerge within the data center domain, and it speaks to the strengths that we've been putting in place with the foundation of Junos and the programmable network over the last few years.

And we've made a set of investments within the data center space that position us very, very well to take and exploit this emerging trend to programmability within the data center domain. In particular, we have a product called the Virtual Gateway that runs inside the virtualization environment, the virtualization and Cloud environment that can provide a set of security services right inside the Hypervisor that exists on all of these different Cloud servers.

And what that can do is really provide the isolation and protection that's required for these Cloud environments. And if you look at any public Cloud that's being developed within an organization, in almost every case is there's a need to provide a set of isolation components, different zones within there for different kinds of systems.

For example, within a financial organization, trading systems need to be separated from other lower-priority systems such as HR or software development. And what VGW does, Virtual Gateway does, is it provides these isolation capabilities right inside the Cloud environment in a way that's very unique in the market, and we're seeing very strong interest and adoption in this.

As an example, SK Telecom, we're seeing a broad set of deployments inside their 4G LTE buildout, have -- are building a set of Cloud environments that augment that and support that. And they're using VGW as their security component within the Cloud to provide that protection that they need.

Now, in the months and years to come, as we see software-defined networking taking a broader role, we see it happening first in the data center space, and these foundational investments that we're making position us very well. Pradeep will have a chance to talk more about that right after us.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. So last but not least, we want to highlight the campus and branch. And this is where we've talked to our partners and customers about Simply Connected. What's happening in this part of the market is two things -- the wireless network is becoming more and more important because it's becoming more mission-critical. All the employees do their work this way. This is leading to a convergence of wired and wireless access in the campus and the for an architecture that is much more integrated as opposed to just another overlay on top of an overlay.

And as we invested in this market with both our wireless portfolio, the acquisition of Trapeze, where we've made good progress in integrating that into our Simply Connected story, that has also allowed us to take share in Ethernet switching with the EX product line. And we continue to hold the #3 position there.

If you think about Simply Connected, it is really about secure mobility at large scale. To do that, you must have operational simplicity. This is the key value for IT. It is very difficult to manage these networks today, particularly the wireless overlays, and that makes it error-prone, and that makes it hard to rely on for the productivity in your company.

Users are also becoming much more demanding about the performance of the wireless network and the consistent experience between wired and wireless. This is both a challenge for the infrastructure, the wireless infrastructure, the wired infrastructure as well as something that one needs to address with security and authentication. So we really see in this domain all of the different assets coming together.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Yes. And in a lot of senses, campus and branch for a company or a public sector organization is really the place where these things meet. And in fact, although we're not talking today from time reasons about the WAN domain or the consumer and business devices domain, they really all come together inside the campus and branch.

And the way we think about it and really the way our customers think about it, and we're reflecting on that, is that they would like to see an end-to-end strategy that begins with the end-user and the device they're working on, whether they're within their campus environment using, say, a business-supplied PC or whether they're using one of their mobile devices, there's a set of business resources they want to access and secure, and they want to be able to provide a seamless way of connecting to that in a secure fashion across that.

And that end-to-end perspective is what we're really focused on delivering. And it certainly includes and begins with the switching and the wireless environments within the campus, but it very much extends to the protection and the security protection that happens on the device, which we can deliver through Junos Pulse, as well as the different kinds of security that need to be enabled in every passage through the network as they go to the data centers that run the organization.

And this is really where that end-to-end security perspective that I think, for those of you who saw the presentation this morning Nawaf outlined in some detail, can really come together. In this space is a space where we're also making tremendous investments in our security portfolio to provide industry-leading manageability capabilities as well as the ability to do content and application security, which, again, we demonstrated this morning.

So we're thinking about this very holistically. And again, particularly for enterprises, we're able to have a different kind of conversation with our customers than we've had before.

And as Kevin highlighted, the conversation with CIOs and CSOs is really about the fact that they want to make sure they have a choice in the market of who they turn to. And more and more of those customers are seeing Juniper as the obvious choice for them to go to as they want to deploy their next-generation systems and they seek a dual-vendor strategy.

Our end-to-end portfolio puts us in a unique position to have that conversation. And the fact that we're thinking about this in a way that really meets -- that comes from the customer perspective also enables us to be very differentiated.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. And some of the key assets that we have play a key role. And you mentioned Junos Space, a secure design, runs on top of Junos Space, the way we provisioned wireless networks will run on top of Junos Space. We have Junos across all of our systems, right.

So if you -- if the customer really cares about, and that's what the conversations that we've had with both our Go-to-Market team as well as the customer have proven out this kind of convergence, we think we have something valuable to offer from a differentiation point-of-view, and we have that end-to-end portfolio that they need across routing, switching, security and wireless.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

And that speaks to the heritage of Juniper. When Pradeep founded the Company 16 years ago, he really focused on building a world-class R&D organization that focused on organic innovation. We're not stitching a bunch of connect -- of products together that are loosely connected. We're focusing on how we can start with the customer and understand their business but then building on common platforms, things like Junos as a foundation and new areas in manageability like Junos Space to provide a unique end-to-end solution.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. So this is early days for us, particularly in terms of the wireless business in the market, but we're starting to see some really encouraging success. Take the example of Mohegan Sun Casinos, right. So they are the second-largest casino in the US. And they became a strong believer in the Simply Connected vision.

They started with MXs and EXs, and we're very happy to say that they replaced their wireless implementation from Aruba with our wireless implementation because they wanted to integrate the experience for their employees as they become productive and their customers in the casino setting, you know, and that we can deliver that with a Simply Connected vision.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Or the University of Wisconsin, which was traditionally an all-Cisco shop and has now seen the benefits they can get from this connected -- Simply Connected end-to-end architecture and has gone and purchased Juniper for that end-to-end solution. The MX, the EX, the wide area networks, the SRX, all of these things together, as well as their data center, with the QFX are all built on this connected Juniper network.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

So as we build -- as we expand in the enterprise sector, we think we have something very valuable to offer, and we look forward to the progress through that in the next coming years.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

So what we've done here is really done a pretty brief quick overview across five of the seven domains. We briefly mentioned wide area networking and consumer and business devices. But we think about these things at a very holistic perspective.

And if you heard what we had to stay in Barcelona earlier this year, I hope you noticed that this is very consistent with what we said before. Stefan and I are working together with Gerri and her team as well as Mark and his team in the services side to drive consistent execution across all of these things.

We feel very strongly that we have the foundation and the strategy correct. We know what we need to do, we are targeting the right things. We have the right product line. The focus now is really to continue on the execution that we've established in the past year or two.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. So on the systems side, it's about executing on growth with the PTX and driving the upgrades for T4K. On the Edge, it's about executing on the Universal Edge, continue to drive growth with the upgrades of the MX and the new software capabilities.

In the data center, it's about giving those QFX customers a great experience and continuing to take share in Ethernet switching. In the campus, it's about Simply Connected. It's about putting wired and wireless together in a new way.

So these are really things that we're executing on. We started the innovation some time ago. We've built the first set of product. Now it's all about making it count. The next domain that we're tackling, of course, is access and aggregation, and there we look forward to introducing the ACX to the market in Q3 and driving the first sets of success there.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

And we have a strong business in security with a strong product line. And as we move forward and focus in on the enterprise and content security, we see ourselves being able to expand that business. We're great with service providers today, we see ourselves being able to expand it and do more in the enterprise space.

And of course, one of the things that we're focusing on doing is taking and building on our silicon and our platform assets. We have this combination of the Trio and the Express Chipsets that are highly unique in the industry. We've built a set of unique platforms on top of that, and we can augment that with a broad set of services that provide the customers with the value they need in the domain that they're caring about.

Juniper is in a unique position. We feel very -- we feel like we've got an incredible product portfolio that includes some very strong products like the MX and the T Series that have been with us for a number of years. We have a whole set of new products that have been introduced or will be introduced in the months ahead.

As is always the case, these, you know, we're talking to enterprises and service providers. Those new products take time to roll out, but -- and take time for customers to evaluate, but we see the potential for them to make a massive difference in the months and years ahead.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. As Kevin mentioned, we're driven by product cycles. We're excited about the next product cycles. It's the biggest one that we've ever encountered as a company. We're making sure that we plumb things end to end and have -- to really deliver value to our customers, and that's certainly what we're partnering with our Go to Market team on.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Yes, the partnership between Gerri's team and Stefan and myself has never been stronger, and, again, I think it begins with the customer and focusing on understanding what they need.

At the same time, it's really important that we continue to lead in innovation, both in terms of our products but also in terms of broad trends that are happening in the industry. And here, what we're doing in software-defined networking is very, very important.

The industry is looking at this. Juniper has been building on top of our history in programmability for a number of years. And the industry overall is looking at how the network and programmability can be very important and the role that software can play in that programmability.

And given this new trend and given some of the things that are happening that we thought it'd be useful for Pradeep Sindhu to take you through and give you a Chalk Talk on some of our ideas around software-defined networking and how we think it will shape the industry and in the long run provide Juniper with a strong set of competitive advantage in the years to come. So I invite Pradeep up to join -- to come on stage and talk about that.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Thank you.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Thank you very much.

Pradeep Sindhu - *Juniper Networks - Co-founder, Chief Technical Officer*

Thank you, Bob, and good afternoon. What I thought I'd do today is talk about software-defined networks. There's been a lot of industry interest in software-defined networks.

And what I'd like to do is start with the observation that in October 2009, when we launched the New Network, we actually talked about three goals that the New Network had, number one was to increase the rate of innovation, number two was decrease OpEx for our customers through automation, and number three was to decrease CapEx for our customers through the best use of technology.

If you now roll forward to 2012 -- by the way, in 2009, the term SDN did not exist. You roll forward to 2012 and you ask the question about what are the goals of SDN? It turns out that the goals are exactly the same, completely identical. So the strategy that we've been on with the New Network was, in fact, an SDN strategy if you just apply the current fashionable term.

Now what I'd like to do in this Chalk Talk is answer four key questions, first one is what is SDN? What are software-defined networks and what is it not? There's a lot of confusion about that, and everybody has their own view about what SDN is.

It's something like cloud, right. Whenever a term becomes fashionable, lots of people have different interpretations. I'd like to give you our interpretation of what SDN is and what it's not.

Second is it turns out that the concept of software-defined networks is relevant in some domains and not so relevant in other domains, and I want to take you through why that is the case so you get some idea about what we might focus on. And as Bob mentioned, we believe that the data center domain is the most important one for SDN.

A third question which many of you have in your minds, I'm sure, is, is SDN a threat or an opportunity for Juniper? Well, let me say it right up front. We see SDN as a very, very strong opportunity. It's not a threat.

And then I'd like to take you through, like we do for everything else, we use a principle-based approach to solving problems. And so, I'd like to take you through the four principles that we have behind our approach to SDN and then take you through some details of what we're actually doing.

All right. So the first question is what is SDN? So what I'm going to do is draw you the simplest possible picture of a software-defined network up here. And that simplest possible picture consists of a piece of software, generally called a controller, and this controller runs on horizontally scalable x86 -- Intel x86 servers.

There's also a network which is built with a bunch of networking nodes somehow connected to each other, et cetera. So this is the network. And the controller is, of course, connected to the network nodes using some kind of a control plane, some control connections.

And this interface, very importantly, between the controller and the network being controlled is intended to be an open standard interface. This piece is very, very important. And as I'll mention later, OpenFlow is one possible proposal for this being the open standard interface.

Now when you look at this picture, you see these three elements, the controller, the interface, and the network. Well, first observation I'd make is that this network is -- there has to be a physical network that's being controlled. The network is built out of some form of nodes. All of these forwarding paths of these network nodes is implemented inside these nodes. It's not implemented by the controller.

So in general, if you look at the functionality in the network, you can break them down into three pieces, data path functions, which is moving packets, control functions, which is actually computing the tables that -- on the basis of which the forwarding is done, and the third part is the management of the network.

In general, data path functions remain in the network, management functions are always centralized and control functions can either go here or stay in the network.

Now why did SDN happen? Well, it turns out that SDN is a recognition by the networking industry that not all problems can be solved by putting the functionality inside these network nodes, which are generally geographically distributed. The very essence of a network is that these network elements are spread out over space. Maybe it's over a wide area, maybe it's inside a data center, but they're not all put in a small space.

So there are actually two trends, one is that not all functionality can be implemented in a distributed way. In fact, if you try to centralize the functionality, it can be implemented a lot better. And I'll give you two examples of that, one is if you want some statistics on a network, on how well it's working and so on, that functionality is actually much, much better implemented in a centralized way.

Another thing that is much better implemented in a centralized way is if I want to do network provisioning. Well, if I try to do that computation in a distributed manner, it turns out to be [NP] incomplete, a very, very hard problem to solve.

And in fact, there's no optimal solution, or the optimal solution takes too much time. So -- on the other hand, if I put it in the center, it's actually fairly straightforward to do it. So that's one trend.

The second trend is that the IT industry, the broad industry has actually figured out ways to use massive amounts of horizontally scalable general-purpose compute power. And the kinds of things that this controller does can actually exploit that technology, which is now becoming generally available. So those are the two trends.

Now I'd ask you to notice that we had expressed an important principle back in 2009 with the New Network, and that principle was centralize what you can, distribute only what you must. And the reason we articulated that principle was because it's an important organizational principle for simplifying networks and, in fact, information technology in general.

And so, SDN has offered the fundamental architecture software-defined networks you can see is trying to centralize those pieces or those pieces of function that can be better performed in a centralized way, but leave the functions that are performed better in a distributed way down in the network. So that, in a nutshell, is SDN.

Now, what I drew for you is a very, very simple picture. And like any simple picture, it's not a real picture. That is in any real installation, what you will find is that in almost every case, I'm going to end up having multiple controllers. Why? Because a single controller can't scale.

Also -- so these controllers are going to have to talk each other. They'll have east/west interfaces. It's also the case that in any given installation, I don't just have the network, I have network and storage and computing. So I need a higher level of orchestration systems, so I'll need some northbound interfaces also. So the picture that I drew is very simple, but in essence, it's correct if you abstract it out completely.

Now the other very important point to note about this is that if I am running on every one of these nodes a different operating system, it actually makes it quite hard to write a controller that controls all these things. So we believe that the fact that all of our equipment runs Junos actually makes it much, much easier for us to do it compared to our competition.

All right. So now let me talk about the tradeoffs between centralization and distribution. It turns out that you can see that almost all the discussion around SDN is going to be -- it's going to revolve around the topic of what functionality should I centralize and what functionality should I distribute.

And so the thing that may not surprise you is that we've actually been here before. And so, you all wonder how come we've been here before? SDN is a new concept. It's just -- people announced it this year. Well, it turns out that we have been here before.

So if you look at distribution versus centralization for the network, go back to the telephony network. This was a TDM network. And if you asked the question of how much of the functionality was centralized and how much was distributed, well, it was something like this.

That this is -- so this is functionality here, and this is the stuff that is centralized, and this is the stuff that's distributed. And the portion of the functionality that was distributed in the switching nodes was very, very low. So that's what the picture looked like a long time ago.

Why on earth did we go away from that? Well, we went away from that because this stuff did not scale for packet switching. It did not scale when the end users were not people making phone calls, but computers whose performance was doubling every 18 months, okay?

So we then went to a packet-switching world in which we are still today. And here, the bulk of the functionality was implemented in a distributed way. And yes, you had network management systems which are relatively centralized but their role was primarily to configure these devices and then let them do their thing so most of the action was happening down here.

Now the SDN purist view is that I'm going to put the bulk of the functionality up here and I'm going to remove all intelligence and functionality out of the network. There are some challenges with this view. What are the challenges?

Well, first thing, if you have a network that you put together where a whole bunch of nodes are connected to each other, before the controller can talk to these nodes, you have to have a network that's up and running. So you might sense this notion of chicken and egg. If I don't have a network that's up and running, the controller can't talk to it, so how can this thing work at all?

Well, it turns out that there is a minimum amount of functionality that must be implemented in the network and that minimum amount of functionality is not so small as people might like to think. So that's one challenge.

The second challenge is that SDN or software-defined networking is indeed in its honeymoon phase. And in the honeymoon phase, anything is possible. The world is rosy. I can do lots and lots of things. I can write one controller that can control a million devices, et cetera.

Well, as we get experience with these things, we will find out that the world is not as rosy as it looks. I'm probably going to have half a dozen controllers. I'm going to have to acknowledge that there's distribution. I'm going to have to put back functionality here. So let me draw you Juniper's view of how the functionality might be split, the most likely scenario.

The most likely scenario is that you're going to have functionality in the controller and you're going to have some modest amount of functionality in the network. Now I will also say in the same breath that this distribution of functionality will be different for different domains.

Why is -- why do I think so? Well, think about it this way. If my network itself, like in the data center or in campus and branch, is already relatively centralized compared to the Internet, I may be able to simplify the functions in my network nodes and put more functionality here.

But if I go out to, say, the core of a service provider network or the edge of the service provider network or the access/aggregation network, pulling this trick is actually much harder. And in fact, I won't be able to get it to scale. In essence, I'll discover the same problem that carriers discovered way back when, which led to the invention of routing, okay? This is basically routing.

So that's kind of gives you a perspective that, guys, we've been here before, the pendulum may have swung a little bit too far, and I think the availability of lots of cheap, very high-performance computing gives us an opportunity to perform some of the functions in a more centralized way.

And we completely agree with that. We think that that's a great idea and we are, in fact, making investments to make sure that we can exploit the fact that we have a single operating system to its best possible use.

Okay. So we talked about what is SDN. So let me now mention what it's not. SDN is not the same thing as OpenFlow. There's a lot of confusion about this. OpenFlow is one proposal, an early proposal for the open protocol between the controller and the network.

That doesn't make it SDN. So it's not right to confuse the two terms. It is also not a replacement for the peer-to-peer network because as we mentioned, the data pack certainly has to be implemented by the network. The control functions when the network is geographically distributed has also to be implemented in the network.

And so it's not right to say that, Hey, the entire networking functionality can be implemented in the SDN controller. Well, the third thing that SDN is not is it's not yet another encapsulation protocol like VX -- there've been at least half a dozen overlay networking encapsulations that have been proposed, VXLAN, CREEL, NVGRE, [OTTE], you name it.

And I'm almost sure that you wait another four months, there'll be another one. Well, none of these encapsulations actually solve real problems. What they do is they make work for programmers in lots and lots of companies. So our approach to the problem is a little bit different. It's not to reinvent the wheel each time, but to solve the problem once and solve it well.

All right. So I mentioned that there are some domains in which SDN is more important and some domains where it's less important or less relevant. And certainly, the distributional functionality between centralization and distribution is going to be different across the domain, so let me now give you sort of the -- at this end, it's highly relevant, and at this end, it's not so relevant.

Well, we've already said that the most relevant domain is data center. The next most relevant is campus and branch. Probably the one that comes after that is access aggregation. Probably the one after that would be RAN, Core, Edge, and it's not a strict ordering.

But generally, the more geographically distributed your network, the less it becomes possible to put more and more functionality in a single controller in the sky. So it's essentially that simple. So our focus is going to be on the data center.

So that's -- so now let me talk for a few minutes that I have remaining about our approach to SDN. Well, the first thing about our approach is that it's going to be a balanced approach. Balanced approach means that we're going to put the right functionality in the right place, right place meaning in the controller versus in the network.

What we're going to do is not put too much functionality into any one piece because that leads to complexity that leads to unreliability and so on. Our approach is also principles. We follow four principles. And those four principles are centralize what you can, distribute what you must. I already talked about this one.

The second principle which Kevin mentioned also, is design networks using the smallest number of general building blocks. The third one is automate anything that can be automated. This is nothing more than the history of technology. In fact, this is the definition of technology. Technology is something that automates tasks that were previously manual.

And then the last one, which is very, very important and which is a great differentiator of Juniper, in other words, it differentiates Juniper from any of its competitors, is that we support open standards wherever possible. In fact, I can't recall a single product where we expose nonstandard interfaces outside unless there's a very, very, very good reason for doing that, all right.

And where there doesn't exist a standard, we will propose a standard and then publish it. So we also -- the last part about our approach is that the approach is focused. We don't want -- we don't believe, first of all, that SDN is equally applicable everywhere, so we're going to focus it on the data center. And we're going to start there. And then once we see how that goes, we may apply the approach to other domains where it's relevant.

So now let me close with these four thoughts. The first, just to summarize Juniper's view, first is that the goal of SDN and the New Network are exactly the same. The second is that SDN does not obviate the need for doing innovation in systems because there is significant functionality in the networking element, and this will remain true because of the balance.

The third one is that Juniper always has and always will support open standards. The incumbent has already placed or made statements about what it intends to do with open -- with SDN and the fact that it has the intention to control the standard.

Well, Juniper has no intent to control the standard. What we want to do is we want to see open standards develop. We don't want to do standards plus. We want to have open standard and we want to exploit the fact that we have a single operating system which will make it a lot easier for us to do things.

And then the last point, which is that SDN represents for us a strategic opportunity to lead in the networking industry, and we put this marker down 2.5 years ago in October of 2009 with the New Network.

Thank you very much. And I think with that, I will invite Kathleen and Kevin and Stefan and Bob up to the --

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QUESTIONS AND ANSWERS

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. Now we have time, we've got about 15 minutes or so for some Q&A. And so I'll ask our previous presenters to take a seat and we can take some of your questions.

Pradeep Sindhu - *Juniper Networks - Co-founder, Chief Technical Officer*

Who gets get this one (inaudible - microphone inaccessible).

Kathleen Nemeth - *Juniper Networks - VP - IR*

There are seats for everybody. Go ahead.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

One more can at least have a seat. All right, I'm missing one.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Brian, you could use?

Brian Marshall - *ISI Group - Analyst*

Thanks.

Kathleen Nemeth - *Juniper Networks - VP - IR*

I'll stand. Yes.

Brian Marshall - *ISI Group - Analyst*

Thanks, Brian Marshall with ISI Group. There's a large Internet server -- Internet search company that says that they've basically SDNed 100% of their traffic from their data centers, the data centers, and so I guess was wondering what does that mean for companies like you? And in general, what does that mean? That sounds like they're well ahead of the curve. I think it only took them 18 months. So love to hear your thoughts on that. Thanks.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Stefan, why don't you take it?

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Yes. I can start with that a little bit since I know that search company pretty well and we've been partnering together pretty well as well. So this is a very special case, certainly important, but very special. What I'd say about that is this is the back-end connection of their data center, sort of a back channel between data centers that they've taken approach to use SDN where they control demand and the network configuration on both sides.

And I think if you talk to them, you'd find that just like pretty much everybody else in the SDN space, they did it to save CapEx and to react -- to save OpEx and to react faster to new trends. In fact, they will probably tell you, very much similar to the other early deployments, that they did not save CapEx. They saved OpEx, and they want the network to react faster to changing trends.

So as we kind of zoom out from that example, and they're certainly a very important early adopter of technology, we look at that as the key differentiator, it's about the programmable network. It's about the network reacting faster in an automated way to new changes. And I think that's the promise of SDN that we also want to execute on.

So as we look at the system side of that business, where our systems are differentiated, they will continue to be differentiated. When systems are not differentiated, they will commoditize no matter what happens, SDN or something else, right. So I think as we look at our strategy, staying in high-performance systems business and then working on architectures that really automate provisioning of network services to save OpEx is the key.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Yes. Let me add one -- let me add one thing to that, which is in the -- in this particular case, you mentioned that it's connecting their data centers and all their traffic together. In fact, when it's really that particular case that Google digs, they did this pronouncement broadly, was focused on a specific application, which is how they back up data between their data centers.

And they, of course, have very large data centers with, effectively, a private network connecting them. It's their -- one of a handful of companies that have that particular application scenario and there's no question that they established a strong leadership position in what they did with SDN. But it's really just one characteristic of the application. And if you look at the broad set of needs they have today, they -- I think they would be the first to admit that they could not replicate that today with SDN.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Maybe last but not least, I think all three of us have had intensive discussions with all of the CTOs at all of the different Web 2.0 companies that lead this. And I think, actually, the way we see the evolution play out is very consistent with what they see and the goals that they've outlined.

Mark McKechnie - *ThinkEquity - Analyst*

Great. Thanks. It's Mark McKechnie at ThinkEquity. I have a question about the campus and branch opportunity. You lay out the domains. That looks like the biggest one, right, a $20 billion-type TAM. And you're at what, maybe 3% share there which is impressive, right.

You've kind of come up off the bottom relative to Cisco there. A few years back, you talked about really focusing on the high end there. Maybe kind of give us an update, what have you found there? Is it -- is it the high-performance area that you're winning? Is it total cost of ownership and maybe what kind of share can you expect to get? Or what are your near-term and maybe medium-term targets on that front? Thanks.

Kevin Johnson - *Juniper Networks - CEO*

So yes, I can talk a little bit about that. I think the TAM is certainly very big and it's hard to break out exactly what portion will be in the high-performance side or not. But if you look at the kind of deployments that we've been successful in, it's mission-critical wired and wireless networks. So that could be hospitals, right. Or that could be like Mohegan Sun, a deployment where it's part of their business, it's important to their customers in terms of the experience they have in the casino.

So we're at the very early stages. Like I said, we're pleased with how we've been able to make progress in integrating the wireless offering, but it's very early. So we certainly see that as one of our key opportunities going forward. We're just early on with the Simply Connected story.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Yes. The other thing I would add to that is in our conversations with enterprise customers, in many cases, they're looking and saying, We see value in having a dual-vendor strategy in the enterprise. And they look and say, okay, let me understand the domains that we have and figure out what is the right appropriate step for them to introduce a new supplier for network technology.

And in many cases, they look and say, Okay. We have the wide area network, we have our data centers and we have campus and branch.

And in some cases, customers would say, Look, the first place we want to introduce Juniper as a dual vendor is part of our strategy is campus and branch, as evidenced by work we're doing, let's just say at Polycom or TCS or Mohegan Sun or others where we're implementing campuses.

In other cases, we've got Fortune 20-type customers that have said, Hey, we're going to start with the WAN and we're going to give you some of the data centers.

And so, in each customer, the fact that we have the ability to come in and help provide them a wide area network solution, a data center solution or campus branch solution and the fact that we're in all three gives that customer a lot of confidence that they can get the best of the innovation that we deliver and give them the most choice and flexibility in terms of how they want to think about their network.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Alex, you have a question?..

Alex Henderson - *Needham & Company - Analyst*

Yes. My name is Alex Henderson. I'm with Needham & Company.

I was hoping you could address two aspects in the software-defined networking challenge for analysts to address, one at the lower end of it and the other one up at the application layer.

On the lower end, the issue associated with software-defined networking, I think as most analysts out here are thinking about it, is the risk of commoditization of the fast-forwarding plane that's defined by software-defined networking and the use of x86-based boxes which in the data center for servers carry 20% to 25%-type gross margins, certainly, not the kind of gross margins that Juniper has been accustomed to.

So, I guess, the first question is to what extent has that carved out a portion of your TAM in a much lower gross margin architecture than what you've been doing in the past and how would that impact your business over time?

The second piece of it is at the upper end of the spectrum. A lot of the challenges and the network have moved up to the application layer, the value seems to be shifting more and more to the application layer.

You have a relatively limited position in what I would consider traditional application layer companies, people like F5, Acme and people like that, that have a strong position there. And you were late in the security space, which has also moved up to that application layer. So, are there some things you need to do in terms of broadening your application layer skill set that will enable you to catch up and close some of that gap?

Kevin Johnson - *Juniper Networks - CEO*

Pradeep, why don't you take the first part of that and then maybe Bob wants to take the second part?

Pradeep Sindhu - *Juniper Networks - Co-founder, Chief Technical Officer*

Sure. So, let me actually describe -- right from the get-go in 1996, the way we architected our systems was that there's a piece of the functionality that lives on general purpose x86 computers inside our devices, almost every device that we do. So this is a control plane. It sits on a general purpose CPU.

Then there's stuff that needs to happen very, very fast. This is all the packet movement.

Now there are some domains in which the packet forwarding functionality can become quite simple. But let's take the data center, where this is most likely to happen or could happen.

The fact is that when you try to connect large numbers of servers to each other, taking just off-the-shelf silicon to do simple Ethernet packet forwarding does not give you a fabric with sufficient performance compared to the stuff that we're doing, compared to QFabric, for example.

So, we believe that there is significant differentiation to building silicon even in the best-case example for SDN where the functionality in the silicon can be hollowed out and be replaced by something which is totally commodity.

The thing I'd like to emphasize is when you talk about networks that are running at scale and running at high-performance and they require high levels of reliability, this is not a commodity.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Maybe if I can add to that. I think as we look at the market, looking at that high-performance part of the market, there are many parts of the market that commoditized before we started talking about SDN, and there are many parts that will continue to commoditize. But I think the -- as you look at any customer that deals with exponential traffic growth -- right -- there's going to be an opportunity for us to differentiate in the systems.

Sometimes you do that through scale, sometimes you do that through cost of the transport, sometimes you do that through programmability. So opening up those interfaces including OpenFlow in our systems becomes very important.

Kevin Johnson - *Juniper Networks - CEO*

Bob, you want to talk about --?

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

Sure. So we already have a pretty significant portfolio today in terms of what can be done at the application layer. I talked about what the virtual gateway does, really operating at the application layer and embedded within the infrastructure of the virtualized system. And we're in a very strong leading position on that.

In general, we've been investing in how we -- in building more and more capability, services that run on top of the platforms that we've already built and we think that the leverage that we get with Junos and the investments we've made in Junos will play very, very well to this.

I talked earlier about the things we're doing around DPI, the fact that we can leverage that across a broad set of Juniper platforms is a good example of ways where the heritage that Juniper brings can really drive us forward.

So I think Juniper is actually in a strong position to actually leverage these trends and we have a lot of experience in understanding the complexity of these distributed systems and that puts us in a pretty differentiated state relative to anyone else.

Pradeep Sindhu - *Juniper Networks - Co-founder, Chief Technical Officer*

I think the other thing I'd add is that in every case, these services run on general-purpose microprocessors, in every case.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. I think we have time for one or two more questions. Maybe Vijay, you have a question and then we could see how we're doing on time.

Vijay Bhagwat - *Deutsche Bank - Analyst*

Hi. Thanks for the opportunity. I have more of a thoughtful question, which is switching is attractive as a TAM. I think so is Layer 4, Layer 7. I would argue it's a $10 billion opportunity versus switching $18 billion.

So I think my point of view is if you look at technologies like SDN, you have such a small footprint in switching. It's tough to convince customers at large to use your solution because you just don't have the install base in switching. Versus if you move to a Layer 4, Layer 7, it's a small -- you can do a lot with a smaller footprint. F5 is a case in point.

I think my question is any thoughts on aggressively investing, fast-forwarding your investments in Layer 4, Layer 7 such as next-gen security, such as application delivery versus beating the hell out of switching where it's just a very hard market to grow. I mean, it took HP a decade to get to 6% market share, for example.

Robert Muglia - *Juniper Networks - EVP - Software Solutions Division*

I think that really raises a good point which is we talked about how SDN is likely to emerge in the data center domain first and Juniper has a very small share of that relative to other domains that we play in.

So, we see this as an opportunity for us to take a pretty aggressive posture and use the expertise we have in software to help us gain share overall and an overall larger part -- larger percentage of the overall addressable market. Again, the expertise in software together with the expertise in platforms and systems provide some unique differentiation.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Yes. I would also add, too, much of the industry has approached the Layer 4 through 7 as having a separate box, that's a special-purpose box that does that function. What we're trying to do is something different. We're trying to focus on how we enable these services, the software that runs on Junos on our routers and switches.

And so, having a footprint of the platform in routing and switching, we think, is important. And reducing the number of boxes that it takes a customer to implement, to architect these solutions and taking the functionality that is needed in Layer 4 through 7 and figure out how to enable that in a way that it runs on Junos, either on our Edge router as we're doing with the MX or things that are appropriate to do on switching.

And now, certainly, SDN gives us another opportunity to think about how we can utilize the intellectual property and the assets that we have, both on the system side and the software side, to configure them in new and innovative ways that we think add value to customers. So --.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. Thank you. That is all the time that we have for questions for this section. But we have a couple of other opportunities throughout the day. So at this point, we'll take a break, and we will reconvene shortly. Thank you.

(Break)

PRESENTATION

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay, everyone. Let's go ahead and take our seats. We're going to get started with the next portion of our program today. And once we all get seated. Okay. So, at this point, I would like to welcome onto the stage our chief sales officer, Gerri Elliott.

Gerri Elliott - *Juniper Networks - Chief Sales Officer*

Thanks, love. Hi. Good afternoon, everybody. So I'm really pleased to be here with you and to talk about how we go to market with the great products that you've heard about all afternoon.

And I've literally just came back from Germany and Russia where I spent a week with customers and partners. And I've heard directly from them how they appreciate our focus on innovation, the DNA that we have in engineering. They appreciate our focus on quality and our commitment to quality. They appreciate our focus with our account teams. They love the fact that our account teams are agile, they're humble, they're passionate and they're dedicated to their satisfaction.

And they're really excited about the new technologies that you heard about this morning in optical, in data center, in mobility. So one thing is very clear from this past week, and that is our opportunity for growth is significant. In fact, Russia is a great example of that, where our business there has doubled over the last three years. And in fact, it's quadrupled in the enterprise.

So let me bridge for you from a financial analyst meeting that we had two years ago where we had our leaders for service provider and enterprise talk to you about our sales strategy. This is our all-up view because two years later, that strategy is still our true north. You'll hear the specifics shortly from Vince Molinaro, who leads service provider for us and, Dan Miller, who leads enterprise.

For SP, we're expanding and growing the relationships we have with our great service provider customers who know us so well in the core and the Edge. And we're deepening the relationship with them, going into mobility and data center and optical as examples.

In the enterprise, we're super-focused and super-targeted on a set of customers and industries where, as Bob talked about, the network is their key differentiator for them. It's a key critical success factor for them, in industries like financial services, as an example, public sector or healthcare.

And across both sectors, as you've heard about this morning, we're leading the discussions around the New Network platform architecture. And as you saw, the breadth and depth of our portfolio is unique in our history and it's also unique in the industry itself.

So our go-to-market objectives are all-around getting ahead of the growth in exploding markets like in Russia, as an example, focusing deeply on our partners and focusing on the value that we're delivering to our customers.

So if this is the what, then this is the how. The how is around these three things, how we're engaging with our customers, the rigor that we're putting into our operational excellence that Kevin talked about and how we're managing our business, and how we're scaling with our partners in a deeper way, particularly with our strategic alliances.

So, let's first talk about how we've changed the relationship with our customers by how we go to market with them or how we engage with them across both sectors because right now, we have a consistent model across both service provider and enterprise that we've implemented around the world.

Why is that so important? It's important because we've up-leveled and increased the resources with our largest customers. Kevin talked about them, they're called key accounts. We have dedicated teams now on these key accounts and we've added new roles, new roles like executive sponsors or project managers or professional services and support resources as well as chief architects. And chief architects are the one that leads the conversations across all the domains that Stefan and Bob talked about.

These conversations provide greater intimacy for us, greater relevancy for us and greater value for our customers. Our key account leaders are some of the most senior leaders that we have in the field organization today.

And the formal conversations that we have now with our key accounts, with our key accounts leaders, really provide us greater insight into the opportunities that we have now with these key accounts as well as the unique requirements that those key accounts might have of us.

Our major accounts are the next set of the largest customers that we have and we've clustered them around select geographies and select industries.

Why is that important? It's important because now we have more clusters around the world with a greater focus from these account teams. We now have a typical account manager has less than 10 accounts that they say grace over. It used to be double that or triple that, quite honestly.

So, this means more time listening, more time getting intimate with these customers, understanding their relationship and, of course, with the help of partners, really driving solutions in all the domains.

And the last segment is called our commercial accounts and it's a -- this segment holds significant growth for us and it's where our great partners drive the sales opportunities really from end to end with support from us. And we've added additional inside sales resources to help with that and we've put a worldwide leader in place with a global model.

Why is that so important? It's important because this is the fastest-growing segment for us, and it also has the shorter -- shortest sales cycle of all the different segments. Dan is going to talk more about our commercial model and the -- not only the resources, but the leader that we have in place there.

So, commercial isn't the only new global team that we created this year. Because of the depth and the breadth of the portfolio that you've heard about and the deeper relationships now that we have with our customers, the scale of that portfolio says we really had to create a team of fighter pilots. Kevin talked a little bit about this.

They're experts in the latest technologies that we have like optical, like mobility, like data center. So, we created this Advanced Technology team led by Manoj -- and you know him as formerly, he was our Executive Vice President of Junos Application Software -- and he's taken the role since February and he's created a really great strong team of fighter pilots, of experts who are helping us in these domains.

Now a great example of how this team actually helped us with -- was Polycom.. I think Stefan mentioned it before. We call Polycom like the future of campuses, because all the different trends we're hitting them in a really hard way in their corporate campus. The use of video, bring your own device, extensive use of mobile and teleworkers.

And as Polycom grew their network and layered on more and more video collaboration, their old network just wasn't cutting it. And so they needed a single, scalable, rock-solid network. And so between our Advanced Technology team with wireless LAN, as we talked about before, as well as our account teams, we gave them a great network, beat out the incumbent and now Polycom has standardized on Juniper.

Besides the rigor that we're putting in place with our customer engagement model, we're also getting maniacal about how we are executing internally, and we call this operational excellence. This truly is the how.

How we -- who we are and how we show up in front of our customers is just as important as the results that we place on the board. So it starts with the values we hold dear. We call it the Juniper way -- our values around being authentic, trustworthy, operating with excellence, having bold aspirations and making a meaningful difference.

From there, we developed what's called a New Network-selling methodology. We actually call it NNS for short, and it was a customized way of how we can provide value to our customers in this particular space. From there, we -- then we trained not only our entire sales force and all the managers, but we trained all our executives. We've trained our marketing organization and 200 of our product line managers as well.

And on top of NNS, we put a common platform in place for opportunity management and collaboration using salesforce.com. And not -- we're also going to be rolling out a forecasting module as well. So we launched this in the beginning of the quarter, and our forecasting module is coming at the end of this quarter.

And the launch went absolutely flawlessly, and our teams are really thrilled with the new tools and the technology that we've given them. What does that mean for us? It means greater predictability about our business, greater insight into the pipeline and the opportunities that we have.

At the end of the day, it's all about improving our execution capability, because we are measuring now everything to the ninth degree. We look at how productive each segment is, whether it's key, major, commercial, how productive our sectors are, how accurate our teams are forecasting, how fast are we hiring our new resources and how productive those new resources are, how fast they're ramping to full productivity.

We're actually tracking even marketing now to the nth degree, and looking at connected sales and marketing and how effective our campaigns are, all the way from lead generation to closing the sale itself.

We believe the work that we've done over the last year, year and a half, two years about finishing the account segmentation model, investing in the new resources, expanding our coverage, creating our specialist model, implementing better tools and technology and getting the right people in place or giving us better focus, more predictability, greater rigor, better execution and stronger relationships with our customers and partners.

Let's talk about that last group, our partners. As many of you know, the majority of our business is still done through partners, and it's the lifeblood for us. And we talk about scaling with precision with our partners. Our efforts are led by Emilio, who Kevin talked about before, but he's teamed up with Luanne Tierney, who's our Vice President of partner marketing. And together, they worked really hard over the year to reengineer our channel.

In January, we held our very first Global Partner Conference. We've had regional partner conferences before, but it was the first time we've ever held a global one, and we really actually didn't know how many people would show up. But we ended up with over 1,000 fantastic partners at our summit, and the feedback was just amazing. And what they loved was the three-part strategy that Luanne and Emilio rolled out, all around reach, accelerate and reward.

Now reach is all about enabling our partners. This year, we're targeting 150,000 learning achievements with our partners, as well as 10,000 champions. Now champions are partner SCs who are really deeply trained in our technology. It was 2,500 last year as our target.

Our target is 10,000 this year, and we're on track to exceed that number. To accelerate our partners' productivity, we created what's called the marketing concierge program, and it's a communication engine for our partners who can create new marketing collateral for us.

We've created it for them. They can download it and implement campaigns, customized campaigns, that helps them with their own demand generation opportunities. It's easy to use, and our partners -- the feedback from our partners has been fantastic. In fact, I think we've had over 800 partners now who have signed up for marketing concierge and downloaded particular campaigns.

And reward is all about the incentive engine that we've created with our partners, and it's a balanced approach between upfront discounts and back-end rebates. And we've published things -- a new promotions catalog, as an example, a new opportunity registration system, and soon to come, a performance rebate program.

So, with efforts like these that we've had great success now with our channel programs, but case in point would be TorreyPoint, as an example. TorreyPoint leads with Juniper, and it's actually benefited them in terms of their growth. They grow an average of 45% a year. And in 2011, they grew 56%.

And it was their strong expertise as well as our technology that helped us win KINBER. And I don't know if you've heard about KINBER. KINBER is an educational research institution network that is throughout the entire state of Pennsylvania. It's a nonprofit organization building a new research network, and it's huge.

It's going to span 39 counties and 60 institutions in the state. And it's going to be finished by the end of Q3. And it's all based on our MX routers and Junos Space. And it was technology that beat out some tough competition at the time.

But we can't talk about our partners without talking about our strategic alliances. And it's -- these are dear to me, because this was my first role at Juniper. And let me tell you about our three key alliances. The first one is Ericsson, which is the oldest standing alliance now for over 10 years, and we were really early leaders together in the mobile data marketplace.

But today, we're deployed in over 220 service providers around the world. And 2011 was a record year for us in GGSN sales with Ericsson. And they're a key partner for us in core routing and LTE security.

We're also very proud of the partnership that we have with NSN. Today, we span over 400 operators around the world that rely on the joint capabilities of both NSN and Juniper. And we recently launched a new joint initiative with NSN around integrating our PTX supercore with their high-capacity optical transport platform.

And they've added now ACX Universal Access routers to their portfolio as well, and they've built an application on using the SDK to improve their user experience in their mobile networks as well.

And then of the three key alliances, IBM is the youngest, but it's also the fastest-growing. It's been growing every year exponentially at a compound rate of 42%, and switching has been growing even faster than that.

More and more, we're at the heart of the solutions that IBM is promoting, whether it's iDataPlex, zEnterprise, smart analytics and their cloud service provider platform. They're building a new cloud data center based on our technology, features MX, EX, SRX. They built a QFabric lab in their briefing center in New York, and it's now -- QFabric is part of their ecosystem around the IBM PureFlex System that they're promoting and actually announced in April.

And it was IBM and Juniper that worked together to close Mumbai Airport. Now I don't know if you know, Mumbai Airport is one of the top 10 airports in the world, 30 million passengers every single year. And they're building an ultramodern new state-of-the-art terminal for both international and domestic travel.

And they needed to have the new network to power it. It's SRX, RMX, REX, and IBM's integration capabilities and designed a powerful New Network for Mumbai, beating the largest competitors in this key region.

So that's it. It's all about our execution capability around customer segmentation, our operational excellence, increased productivity and predictability, which I know is important, and scaling through our partners. I'm proud of what the Juniper sales, marketing, services and partner teams have done, because we know that we've got the right talent, the right operational execution and the right innovation for success in the future.

So now I'm going to invite up Vince Molinaro, who's going to take you into some -- a little more detail about our service provider strategy. Vince? Thanks sweetie.

Vince Molinaro - *Juniper Networks - SVP - Service Provider Sector*

Okay. Thank you, Gerri, and good afternoon, everyone. It was two years ago I framed our plan for profitable SP growth and a bigger piece of the addressable market. We discussed our customer transformation from vertical stovepipes, purpose-built networks to service in application-rich networks.

We focused on how the conversation needed to change from product speeds and feeds to business value. We have made great strides in influencing the architectural agenda and the transition enabled by our innovations, our domains, our end-to-end solutions and our enabling and underlying technology that Bob and Stefan have walked us through.

Over the last two years, we grew our business, and we attracted and developed some extraordinary talent required for scale. So what I wanted to discuss with you today is how we took those words and those plans and converted them into results.

Our go-to-market plan has not changed. But to be clear, we're not confused, and we're not done. We have more to do and have our sights squarely set on converting the opportunities into our reality.

So let me quickly recap our key SP growth plays that I framed out two years ago. There are four, and they're inextricably linked with each other and have formed the bedrock of our investment and our execution focus. The first is expand and grow.

We have grown the number of customers, and we have expanded the breadth of our relationships in the customer base. Our focus is our customer's business and their profitability by leveraging our software, assets, and our capabilities to eliminate complexity to help accelerate time to market for new services.

A great example of facilitating profitable growth for our customer is XO Communications. Together, we worked and impact three areas, three times increase in capacity across their IP Edge, supporting video streaming, voice, gaming and e-commerce with the MX platform.

The second thing we did was OpEx reduction, and it was really focused on helping them accelerate speed to market with differentiated services for new Enterprise and wholesale customers. And the third thing we did in the Edge with XO was really around joint marketing for Ethernet cloud and mobile services by leveraging the Junos and MX platforms. As Bob mentioned, very similar story can be told for Telecom Italia.

Now let's talk about disruption, the second one here up on the screen. Really is about winning with disruptive architectures. We've inserted ourselves in the architectural transition conversations with our customers that will fundamentally transform their economics of networking and will provide platforms to accelerate services innovation.

While it is important to make sure our customers are profitable now and in the near term, it's equally important to jointly evolve with our customers toward the future by leveraging our innovative solutions to scale.

And so we have a few examples that I'd like to show. As a testament to our ability to insert ourselves into these customer transition architectural conversations, just today, Verizon has spoken.

Together, we have architected a Converged Supercore solution that will deliver a high-performance core network that will optimize every bit of IP traffic consumed. So value in scale for every IP bit consumed. Given Verizon, the largest, most dense MPLS network platform in the industry today, beginning at 8 terabits per second.

With respect to conversations around cloud services, QFabric and QFX are the onramp to an SP-optimized data center, and it creates opportunities for our customers to rapidly deploy applications and services their customers are willing to pay for.

One particular service provider in the Americas has embraced this QFabric architecture. They've deployed the QFX 3500 and are deploying QFabric. Hand in glove with their Managed Services Group, we helped engineer and deliver a full-service, a full suite of data center architectures for their largest customers. We believe this is a good example of what will become de facto standard for public cloud services around the world.

Then there's the mobile Internet. As we all know, wireless spending has dominated service provider CapEx over the last couple of years, and it will continue to dominate in the near and midterm. And as we continue to execute our MobileNext insertion strategy, we've recently announced an important partnership with Tech Mahindra that we're really excited about.

While offering Any G support, the performance and capability of the MobileNext solution combined with Tech Mahindra's global systems integration capability truly enables a solution that will allow our customers to successfully meet the needs of Smartphone and tablet-centric mobile anywhere, data anywhere, world that we will live in.

Here's an example of our MobileNext solution in action. We worked closely with a customer where we've completely integrated both 3G and 4G environments, and we've demonstrated the value to support the robust scalability requirements as data continues to grow. Outside scalability, we are also seeing the value of operational simplicity with this customer.

We've made inroads into other areas of mobility with key customers. Now I've talked about this, an important component to our mobile insertion solution is security. With hundreds of millions of subscribers in dozens of countries around the world, our work with this customer began two years ago in a very small piece of their network in one country, where they operate now, they've since expanded their footprint.

Prompted by growth in overall traffic, both in developed and in emerging markets, the need to reduce operating cost and to establish a common architecture to secure the mobile network, this customer chose our GI firewall and NAT solution and are now deploying globally.

Gerri also talked about our partners and the investment in our partners. We've embraced our partners as true extensions to the Juniper team, and it created opportunities for our partners to grow their businesses profitably as well as touch more customers than we otherwise could ourselves. Our SEs collaborate and cross train, our joint sales teams put value propositions together second to none and our collective services capabilities are leveraged to deliver a remarkable customer experience.

In the last two years, we have won business with these partners around the world in Edge, in the software space, in security, and most recently in mobile backhaul, in data, in data center and in supercore. And we've added more than 200 new customers to the SP portfolio over the last two years.

And finally, a very exciting space for me in the last two years has been positioning differentiated solutions in growth markets around the world. In countries like Russia where we've combined coverage investment with localization efforts, we have taken share and continue to grow in the Edge, the core, mobile backhaul and data center.

In countries in Southeast Asia like Indonesia, Malaysia, Singapore, we increased our relevance by expanding relationships and broadening the architectural conversations. And in countries like China, Mexico, India and Brazil, it really is about driving solutions that are relevant from an OpEx and revenue-generating perspective.

Finally, in addition to extending our innovations into growth markets, we have surrounded our customers to follow them and support their growth markets around the world and ensure they have one common Juniper services and support experience regardless of where they deliver their services to their global customers.

So while we talked about these four growth plays, their desired outcomes and a few successful results we've seen with our customers, it's our execution model that truly makes this happen. So our execution model has three critical complements, our customer verticals, the sales plays we will drive into those customers and, most important, our customer team model to serve our customers with the best possible talent available.

Now let me just take one minute on talent inside the SP sector. Over the last two years, we have developed and attracted some great talent to the Company. For example, Anthony Cioffi joined Juniper to elevate our relationship with Verizon two years ago, and he now leads the Americas SP team.

Wendy Koh joined Juniper in 2003, grew our ASEAN business more than 50% over the last couple of years and was recently promoted to vice-president, Service Provider, APAC. And we continue to attract great talent, great leadership experience, to lead our largest customer teams, like Brian Rosenberg, who comes to Juniper with some great experience from Samsung and Ericsson.

So starting with our customers, within the service provider sector, we've aligned our customers and our industry talent into five verticals. Each customer in each vertical is focused on expanding their value they bring in the Internet value chain between content production and content consumption. And while each is diverse, there are commonalities that we leverage as part of the entire ecosystem.

Two years ago, we had routers installed to support IP traffic in customers in each of these verticals. And as you've heard through the afternoon, many examples of wire-line and wireless and mobile success in the space, and now we are much more engaged as a strategic and relevant partner across all domains.

Inside the cable vertical, led by cable veteran Wayne Ebel, we have implemented a cable technical advisory board where global cable service providers from around the world get together to discuss issues, challenges, concerns and opportunities to better leverage our innovation portfolio across all domains.

And our focus in the content, media, hosting and overall social media space has created opportunities in the present as well as opportunities for a disruptive future in store for all of us. From end-user security to anything mobile, to Edge, core and data center, we are in the mix. And we've targeted sales plays designed to deliver Juniper innovations and customer value to ensure we are aligned to our customer's architectural business and technology transitions.

So let me talk about the first play, Stefan talked about it. It's all about winning in the core and creating economic disruption. We are focused on driving T Series sales and enabling the architectural transition of the core with PTX. Here, we will deliver a set of migration upgrades, insertion and cross-sell campaigns for a T and PTX to our existing T Series installed base. And we are maniacally focused on a rip-and-replace of our competitors in the core with PTX.

Winning in the Edge, it's all about scale and service acceleration and creating an awesome customer's customer experience. We are building demand with our MX-based Edge solutions, and like the core, we will drive up sell, cross-sell, insertion and competitive replacement campaigns. Mobile insertion is all about innovation in the mobile Internet revolution.

We have a set of targeted account-based campaigns to drive insertion of Juniper's new ACX for mobile backhaul, our MobileNext solution for EPC and NEG transitions and broad end-user adoption of Junos Pulse and mobile network security.

And finally, owning the data center, it's all about transforming the SP data center and being be the onramp to cloud-based services. We help our customers accelerate service and innovation, we help simplify the data center architecture and we show how to deliver scale and performance while optimizing OpEx in the cloud.

While the sales plays describe how we make our value propositions come alive, it's the customer team model that aligns all of Juniper networks in support of our customers. From aligning product roadmaps and innovation priorities to delivering a remarkable customer experience, the customer team model puts the customer front and center in all we do at Juniper. It requires special leaders like Anthony and Brian, Wendy, Wayne and others who understand what it takes to deliver a sustainable end-to-end customer experience.

And there are four critical components that really drive a robust customer conversation around innovation and transformation, that's with sales, architecture, technology and the specialists, the fighter pilots. They align around the customers business and technical challenges. Those conversations are then translated into solutions, domains and individual product opportunities.

But there's also significant leverage with services, partners and customer sponsors to ensure that the network and business challenges are front and center and while at the same time creating opportunities for our customers to win more with their customers.

So with respect to architectural leadership and expertise, we also have had a great addition to the team in Glen Tindal, co-founder of Intelliden, now with IBM. Glen is our sector CTO inside the service provider business driving these architectural conversations.

With our integrated architecture and services capability, and they all come alive in front of our customers, we're consistently positioned to deliver a remarkable customer experience.

So you've heard me recap our direction and supporting efforts with a few validating customer examples. I'd like to now share with you what John Souter and his team at LINX have to say about the services, support and experience from Juniper networks. Can you please play the video?

(Video Playing)

Unidentified Speaker

Clearly, a constant plateau over the nearly 18 years of our existence is being just growth.

Unidentified Speaker

[LINX 2] is actually here to provide interconnection, period between ISPs, constant providers, (inaudible) traffic. We're one of the big three, we attract customers members from around the world.

Unidentified Speaker

What Juniper did was they pitched to us a resident engineer and now worked on my [nips] it gave us that confidence through the scary period of changing architecture.

Unidentified Speaker

When we chose Juniper, what we were told was a package that actually covered the life cycle of the network operations, the leading age of technology development.

Unidentified Speaker

What we found with Juniper is we could say here is all the dates, here all the numbers. So we want you to show us what you think is the right type of [protection] for that circumstance. And their professional services guys were really the glue that held it right together.

Unidentified Speaker

If you have that type of relationship and you understand the impact to end users, you got a really good chance of getting it right.

(End)

Vince Molinaro - *Juniper Networks - SVP - Service Provider Sector*

Kevin reminded me a little earlier today that I'm in this business a long time. And I know we still have an awful lot of work to do. However, given the growth we've experienced in the last two years, the expanded presence in the network IT and operations areas with our service provider customers, the breadth of our innovation portfolio, the customer conversations I've had, the teams have had around business value, I remain fully convicted in my belief that we have the right team with the right talent, the right leadership expertise and experience and the right strategy to take share and play a major role in the transformation of the telecom industry the world over.

So thank you, and I'd like to now introduce my partner, Dan Miller, SVP, Enterprise sector. Dan?

Dan Miller - *Juniper Networks - SVP - Global Enterprise Sector*

Thank you, Vince. Good afternoon. I joined Juniper just a little over a year ago, and I've been in the industry for nearly 30 years, some in service provider, like Vince, but mostly in Enterprise. I know and love the Enterprise business.

Here at Juniper, we've now built an incredible enterprise leadership team and strategy, and I'm excited to tell you about those results today. Our sector traditionally has been very security-focused, dating back to the NetScreen acquisition that Nawaf and others talked about today. We were also very opportunistic in our Go to Market approach in the Enterprise business, which was the right thing to do to establish basic market presence.

Today, I will tell you about our progress on a much more structured and solution-oriented approach. Already, and Kevin mentioned this, Enterprise represents around 40% of Juniper's total revenue, and we grew customers last year by 23% to about 30,000. Our Enterprise revenue is about 5% of the addressable market. We like that progress and see very large opportunity in front of us.

So let's get started. I'm going to cover three topics for you, our sector growth initiatives against our strategy. How we focus and execute against that strategy, and customer proof points or success stories.

We have three parts to our sectors' execution model. [Segment] sequence, which outlines who we cover in a vertical market-based approach. It's newer for us in enterprise, more traditional in the service-provider approach. The second part is scale with precision, which is how we cover the market. And third is delivering customer value, which is what solutions in what domains we offer.

Let's start with our vertical market approach. We focus primarily on public sector, financial services, healthcare, energy, and education. We have now staffed a global industry specialists team and have instituted structured cross-company vertical market reviews with Gerri, Bob and Stefan.

Our public sector business is our model success to date. We've already organized with a dedicated customer and solution teams. And relative to the very flat general market, our US federal government business is growing at 30% year-over-year in products and 20% year-over-year in products and services combined.

We are driving a similar approach in financial services. And to help lead us going forward, we are really pleased to have announced yesterday that Andy Bach has joined Juniper as our global chief architect of financial services. Many of you know of Andy's background at the New York Stock Exchange where he was the SVP of Global Network Services. We're thrilled to have Andy on the Juniper team.

We are growing and diversifying with energy and healthcare as well. In energy, we were recently informed that Juniper will be one of two strategic networking partners at a Fortune 10 company. This is really exciting for us. And we continue to see solid demand for the dual-vendor approach that others referred to today.

In healthcare, we're winning everywhere, from Phoenix Children's Hospital to Children's Memorial in Chicago and in very mission-critical environments. In fact, you may not think about our QFabric technology in conjunction with healthcare, but Jan Yperman Hospital in Belgium just selected it to help power their data center.

Their IT manager said, and I quote, we opted for QFabric because of its future-proof design. It's a totally new technology. It's future-proof in that it will be possible to extend to 40 and 100 GB connections. As performance and high availability of our network is important, QFabric fits our needs, unquote.

And, finally, we focus on the educational vertical and higher education specifically. This is a good growth market for us, but, more importantly, represents a source for joint collaboration and innovation like at KINBER that Gerri mentioned.

Overall, our vertical market segmentation is already working and represents the focus we need in the future. And this brings me to the second part of our enterprise approach -- a focused and leveraged coverage model.

Of the 30,000 customers we serve, we focus now on 1,500 key and major accounts. These accounts represent about half of our anticipated revenue this year, and we have concentrated over 50% of our account teams on them. In tandem -- and as Gerri mentioned -- we have a territory-based leverage model which we call our commercial business.

We have now doubled the number of territories around the world to more than 150. And our commercial business represents great growth for us as well as our channel partners, who really value what we call the partner-first approach. Commercial is a newer part of our coverage model, but the business is already growing at approximately 20% year-over-year.

And fundamental to both our named and commercial sales models is our enhanced channel model. Of the reach, accelerate and reward elements that Gerri described, the reach aspect of the model is especially critical for us in enterprise. We are executing a regular monthly cadence now to build joint pipeline with our partners, and we focus our selling activity with the partners directly in something we started now called commercial acceleration days.

While we remain focused on being great at selling products and technologies, we are driving a much more solution-oriented approach now. This is what we call enhanced customer value. And it's centered around solutions for the data center and campus and branch domains that you heard about earlier as well as end-to-end or data center to device security that Nawaf described. And this is where the advanced technologist on Manoj's new team are leveraged in tandem with our industry specialists like Andy Bach.

To be even more specific in our execution focus, we are running enterprise sector plays, just as Vince is doing in the service provider sector. For enterprise, these are expanding our security base, scaling QFabric, winning the WAN and driving wired and wireless synergy.

We now goal and track these sales plays very methodically -- and this is just one aspect of our overall focus on sales mechanics or sales execution. We're driving our sector overall in this way via quarterly business reviews inclusive of sales, marketing, partners and services. And then we focus on pipeline management with Lauren Flaherty's team through account and territory planning. And this is all threaded through deal management through these sales plays.

So to summarize our overall enterprise go-to-market approach, I'm absolutely positive about our plan and our implementation, discipline and focus, and our leadership team.

Now, I'd like to show you some of the results in some customer use cases. First, we're making very solid progress in the data center domain with wins like GU 360, New York Stock Exchange, Hong Kong Stock Exchange and several US federal agencies.

Let me tell you specifically about the WAN decision of a Fortune 20 financial services firm that Kevin mentioned. This account was initially a security account, but, over time, the customer became more familiar with our MPLS and one Junos story. This set the stage to offer our data center interconnect solution which is absolutely mission-critical to this firm. Our products, software and services are all integrated into a managed service offered by a global alliances partner which has both extensive data center and financial services experience.

We've had a very tenured major account team working this account for several years. This is the deep engagement that Gerri and Kevin described. But in the past year, we have taken this relationship to a very different level with outstanding executive sponsorship on both sides, the support from the advanced technologist data center team, and the teaming with our global alliances partner.

This cross-company and partner teaming is a perfect example of the customer team model that Vince just described. And because of it, we are now involved in several other new opportunities with MX and QFabric.

Now, let's talk about success in the campus and branch domain. We're winning everywhere here from Polycom to Tata Consulting Services to a leading European car company.

Tulane University, specifically, is another great example of how we've leveraged our presence in one domain -- security -- and expanded to a broader set of opportunities in their campuses. Now, Tulane is covered by our commercial team. And the commercial teams -- this is the broad coverage

that Kevin also alluded to -- what started as a simple competitive upgrade request blossomed into expanded security initiatives, a full switching refresh and new wireless infrastructure.

Our campus and branch advanced technologists again got involved and helped architect a solution approach called Simply Connected -- and Nawaf and Bob both alluded to this -- and this brings wired, wireless and security all together under a single unified approach.

Ultimately, we displaced the incumbent vendor and beat two major other competitors. And now we have installed our MX, SRX and EX Series. But, more importantly, we've established a New Network to keep pace with Tulane's always expanding and future needs.

Finally, let's talk about security. Juniper is committed to the security needs of our customers. You may know about us in places from Wall Street to national government agencies, but our data center device security approach represents great new expanded opportunities for us as well.

And a perfect customer case is 7-Eleven. Initially a NetScreen customer, 7-Eleven needed a next-generation approach with LTE and PCI standards compliance scalability as well as ease-of-deployment and management. From a business perspective, it's simple -- we help 7-Eleven to bring their stores online quickly and then keep their transactions fast and secure.

In addition to a go-to-market partnership formed over almost a decade, 7-Eleven values direct access to our core engineering teams with Stefan and Bob and knows they really do influence Juniper product strategy and features. They say we listen. But let's hear from them directly. Let's watch the video and listen how 7-Eleven describes the partnership and Juniper's competitive advantage.

(Video Play)

Unidentified Speaker

7-Eleven is the largest convenient store chain in the world, within the US, we're approaching 7,000 stores and continuing to grow very rapidly. The network has become a real strategic asset for the organization. We do a lot of (inaudible) transactions, we do a lot of [Vecan] transactions.

So security is a very major part of the network environment that we have. The decision to put the Juniper product in place allowed us the ability to evolve so we can add or change things overtime. As a great example, 3G wireless, 4G wireless, we may look at putting in our store and in place of a wireline connection.

Without the right product in place we would have to do a forklift upgrade to make that change. When you have a network the size of a 7-Eleven, it's really critical to be able to manage this as though it's one device and so Juniper provides us with a platform that allows us to be able to do that across all those locations.

The value we've been getting from Juniper has been phenomenal.

(End)

Dan Miller - *Juniper Networks - SVP - Global Enterprise Sector*

So thank you for listening. I am so proud to be at Juniper and part of our innovation and values and leadership team. I love teaming up with Gerri in the field and being a partner with Vince Molinaro. And I'm really excited about the leadership team, strategy and execution focus that we now have in the enterprise business at Juniper. It's a great place for me to be.

Now, I'd like Gerri and Vince to rejoin me on stage and also ask Manoj Leelanivas and Emilio Umeoka to join us for a full Go-to-Market Q&A session as well. Thank you.

QUESTIONS AND ANSWERS

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. We've got about 15 minutes or so to take some questions. Okay, Mark, go ahead.

Mark McKechnie - *ThinkEquity - Analyst*

Thank you. Appreciate it. Mark McKechnie again. This is probably for Vince. I appreciate the presentation. But in terms of product transitions in the core, the T4000, the PTX, three questions and hopefully you can answer these. But one is maybe refresh us a bit on the customer stats in the progress on the 4000, the PTX?

And two, a big question is, are you seeing these as complementary or cannibalistic, in a sense? And then finally, when do you see these becoming really material drivers? And then if you have some time, maybe some thoughts on -- and I'm sure other folks will get into this, but this new Alcatel-Lucent entry in the core, what's your thinking on that?

Vince Molinaro - *Juniper Networks - SVP - Service Provider Sector*

So let me recap on the stats. Stefan mentioned it's 7,000 T Series chassis out there, and we're in conversations with the largest of the customer-deployed base in a very aggressive way.

I do not see, as Stefan pointed out in the architectural conversations, I do not see a cannibalization to the T with PTX. It very much is complementary, serves the unique requirements that our customers have. And it comes down to customer by customer, what is our architectural transition plan, what are the requirements from a business and technical perspective, and how do we feather in the combined architecture over time? So we collect -- we see it as a collective lead.

Kathleen Nemeth - *Juniper Networks - VP - IR*

And, Stefan, I don't know if you wanted to add anything to that. There's a mic right behind you.

Vince Molinaro - *Juniper Networks - SVP - Service Provider Sector*

There was a third. I forgot the third part.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

So I think on the question of Alcatel-Lucent, the way -- we think about this in a couple of different ways. The first one is we like our strategy in the core around silicon. We fundamentally believe that to address the changes in transport that will happen, you must build a purpose-built silicon family, as we've done with Express, to get the scale, to get the density, to simplify these networks into a super core and the economics for both us and the customer.

So if you look at what our competition has done, whether that's a CRS-3 or the Alcatel-Lucent system, it's the same way of building core routers. We're a leveraged technology from the Edge, and we kind of kind of reconfigure it a little bit to make a core router. We like our approach much better

They are a serious competitor. They have been for many years in many different areas, and we take that very seriously. But we think there's a real difference in the technology that we'll be able to exploit. And it's really driven our 12 to 18-month advantage we have with PTX already.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. Ehud has a question there.

Ehud Gelblum - *Morgan Stanley - Analyst*

I apologize, this isn't as much on go to fabric -- go-to-market as it might be, but Stefan brought up some interesting points about silicon and to the extent that you, from the go-to-market side, can address this as well.

Do you get pushback at all from customers who see competitor products that use merchant silicon and say their price points are lower? So let's just throw the go-to-market strategy out -- part of this question out. Do you see pressure on price across any of the product portfolios that you're selling out there as there are certainly a lot of point products, whether it's in the wireless LAN space, whether it's in the Ethernet switching space, whether it's in a number of different areas, if you can talk about pricing?

And to really get back to my earlier point, is the derivative of any of that pricing pressure coming from some competitors possibly using merchant silicon? And are we hitting a point when merchant silicon is good enough and, therefore, your silicon advantages that you've had for years, you and your largest competitor, might be evaporating as merchant silicon is proliferating and getting good enough so that you, back to your go-to-market, might be seeing more pricing pressure from smaller competitors?

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. Well, maybe Stefan could start and then you can add to it.

Gerri Elliott - *Juniper Networks - Chief Sales Officer*

Stefan can take the second one. I can do the first.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Do you want me to start? Right. So on silicon, I think we actually -- we don't see that. And it's evidenced by the fact that probably silicon is one of the faster-growing teams in my organization.

Now, when you look at silicon strategy, you have to make sure that you're in the upper echelon of performance and that you can optimize across silicon and systems architecture to solve for those problems. And if you have rapidly, exponentially growing traffic or requirements, that will pay off. And I think we're seeing that with the PTX. We've certainly seen that with the MX.

The second reason, we use merchant silicon, but not in the high-end systems. The second reason is you end up writing a lot of software for those pieces of silicon. So I think, strategically, it's very dangerous to actually use merchant silicon for your high-end systems.

And then, last but not least, at the high end of the market where we play, the business model for creating silicon really counts on monetizing the whole system. Otherwise, you can't continue to invest enough in R&D.

So, again, it's bifurcation of the market. The high end of the market, silicon will continue to pay off. At the low end of the market, there are many commoditizing forces, and silicon is just one of them.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. Gerri, about the pricing.

Gerri Elliott - *Juniper Networks - Chief Sales Officer*

Yes. In terms of the pricing, we, of course, see competitors out there that are going to hit us up on point products. But we have a different model. Ours is around innovation. It's around a value differentiation that nobody else has. It's the broad portfolio end to end. It's the domain conversation.

So if we end up in a point product solution or point product proposal, as an example, we'll get as aggressive as we need to get. But we're not seeing price erosion discount, increased discounting. We're up-leveling the conversation and having the broad end-to-end domain conversation with our customers.

Ehud Gelblum - *Morgan Stanley - Analyst*

(inaudible - microphone inaccessible).

Gerri Elliott - *Juniper Networks - Chief Sales Officer*

Sorry, I didn't hear you.

Ehud Gelblum - *Morgan Stanley - Analyst*

Just to make sure I understood the -- I think you had the right takeaways. As a follow-up, you haven't, over the last couple of years or let's say over the last year, as the environment and the market has gotten worse, you have not seen any perceptible change in the pricing environment across any of your product portfolios, whether it'd be service provider or enterprise? And what we observed in the gross margin side is completely mixed and is not competitive in nature or demand.

Gerri Elliott - *Juniper Networks - Chief Sales Officer*

We haven't seen any increased discounting over the last year or so.

Ehud Gelblum - *Morgan Stanley - Analyst*

Terrific. Thanks.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Jeff?

Jeff Kvaal - *Barclays Capital - Analyst*

Thank you, Kathleen. It's Jeff from Barclays. I guess my first question is on the mobility side. You folks have said that your revenues with Ericsson are at a record level, but I think from our point of view, our sense is that you've been losing share in the EPC market, generally speaking. Can you give us a little sense of where you are on that, where MobileNext is? Is there going to be an inflection with the introduction of ACX later this year?

And then secondarily, Vince, I was wondering if you could maybe clarify your comments about, how did you phrase it, aggressively ripping and replacing at the Verizon core, maybe that's clear enough, I don't know. But if you wanted to add some context to that, that'd be super.

Vince Molinaro - *Juniper Networks - SVP - Service Provider Sector*

I will. I'll ask Manoj to take the first one on.

Manoj Leelanivas - *Juniper Networks - EVP - Worldwide Sales - Advanced Technologies*

So on the mobility topic, Ericsson is a very strong partner of ours. And when we talk about mobility, we think in terms of multiple segments in mobility. We had a strong partnership to drive more of the LTE security deployments with Ericsson. We're getting great traction with our backhaul products. And there is also the point of the EPC you've brought up. So there is a lot of elements where we continue to work closely with Ericsson and driving strong business for us.

On areas like, specifically on MobileNext, you mentioned we are gaining traction with Tier 2 customers right now in terms of deployment and we have some in production. In case of Tier 1 customers, we are just getting into the entry point, and we are definitely seeing the cycles being much longer than what we originally thought. So, yes, there are longer cycles for the Tier 1 customers, but we are very confident of our product capabilities. And it's actually the right product given where the mobile market is trending towards.

Vince Molinaro - *Juniper Networks - SVP - Service Provider Sector*

Yes. And I was wondering if that's what I actually looked like because I am pretty passionate. We have a very focused sales organization. And let me say one thing. Every day we wake up and we are focused on our customer, our customer's business and what we can do to go in and earn that business.

And so I talked about elevating the customer conversation. I talked about business value. We have a number of campaigns in the Edge and in the core where we're proactively leveraging our embedded base, making it stickier with software and services, while at the same time, customers vote.

And where we drive the architectural innovation and create differentiation from a business and technical value, we will offer rip-and-replace programs, and we've got a number of opportunities that our customers kind of point us in that direction. And so that's the way we look at it. We wake up every morning earning value for our customers and we go in and we compete and we compete to win.

Kathleen Nemeth - *Juniper Networks - VP - IR*

We have time for one more. One more question. Looks like Rod.

Rod Hall - *JPMorgan - Analyst*

Thanks, Kathleen. It's Rod Hall at JPMorgan. So I just had a quick question for Vince and maybe one for Dan, too. Vince, I just wonder if you could characterize for us in your discussion with carriers, there seem like there are a lot of different ways that you can juxtaposition a supercore product like PTX, label switching versus an OTN layer. And Verizon we know has made a decision one way, but we don't really know what major options other people are considering and whether there's any direction the whole industry seems to be heading.

So I wonder if you could talk to us about what you're seeing out there in terms of direction. Do you think most people will go the way Verizon's gone? Or do you think it's going to be a different kind of network topology people deploy?

And then for Dan, I just wonder, if you could talk to us about any additional needs you think you need from the QFabric distribution point of view? Do you think you've got everything you need in terms of distribution assets? Or is there anything that needs to change to make you more effective in getting that product to market?

Vince Molinaro - *Juniper Networks - SVP - Service Provider Sector*

So, on the core, and Stefan can -- and Manoj, you can pipe in as well.

And what I'm seeing in the conversation, it depends -- I showed the customer verticals, and depending on the business our customers are in and how they create value inside that Internet value chain, the conversations in the core do vary from an architectural perspective. But the one thing in common is operational efficiency, delivering the lowest cost per bit of traffic consumed at the best possible price and making sure we're taking out complexity from the myriad of legacy networks that are in place.

So it really depends where that customer is in the lifecycle of their own being. And the architectural conversations, we've got a couple of different ways we go at it and support it. But think about it as optimizing the overall cost of bit consumed and delivered as well as overall operational efficiency, and that's how we align the architectural conversation.

Manoj Leelanivas - *Juniper Networks - EVP - Worldwide Sales - Advanced Technologies*

Yes, the biggest problem service providers are facing is actually the traffic modeling in the core. So the PTX is the right solution in terms of converging the optical and the transport layer together reducing the total cost, both in terms of OpEx as well as CapEx for the service provider. And that's why service providers like Verizon are making the choice to go towards PTX.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

My quick answer on QFabric readiness. In terms of innovation and product portfolio, I have everything we need. In terms of our sector's readiness and competency, I have everything we need.

As demand continues to grow with QFabric on the higher end and then what we expect to happen for increased demand on the smaller configurations just announced this week, I do think, and you could hear it from our partners at the conference that Emilio hosted last week, they want more access to demo and loaner gear, they want more training, because they see the demand coming their way as well.

And we -- Gerri and I were already talking with RK just today about scaling out our readiness. But I have everything that we need to move right now.

Unidentified Company Representative

So just one comment on the readiness piece because one of the things we did for this launch that we announced today in QFX was get partners with hands-on experience before the launch as well. We have a data center curriculum ready to go on the learning portal for our partners.

And as Gerri has mentioned, we're really stepping up on the targets that we're setting for the learning achievements for this year. The other thing that we're doing is really building a very strong partner system engineer ecosystem, a community that will cross, certainly, the 10,000 system engineers. Now we're including the system engineers from our partners now on our tech summits as well. Integral part of our teams.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. Thank you. That's the time we have for this section of the Q&A. I'd like to thank all of our presenters. And at this point, we'll segue off the stage, and then we'll have our Chief Financial Officer, Robyn Denholm, come up.

PRESENTATION

Robyn Denholm - *Juniper Networks - CFO*

Okay. Thank you. Okay. Well, thank you for all being here today. The time that you've committed to this is very much appreciated by us, both in person and on the webcast.

So what you've heard from us today, and the presenters have done a great job on lining up all the opportunities that we see and actually how we're focused on operational excellence in terms of capturing those opportunities. So what you've heard from us today is that the New Network, the concept that we put out there in 2009 is really resonating with our customers.

Stefan and Bob gave you many customers examples, as did Gerri, Dan and Vin, in terms of how the technologies are really being looked at by our customers in terms of the value creation that they can see with that.

The other thing you've heard today is that our strategy is very clear and it's consistent. Innovation is alive and well at Juniper, and it's being translated into value by our customers. And we are making good progress with the traction in terms of growth opportunities that we see going forward. Innovation has fueled our growth as a company historically, and it will continue to fuel our growth as we move forward as a company.

You heard that in the presentations that Bob and Stefan did around the seven domains and the framework that Kevin put out there in terms of all of those domains and how we're focused on those.

The other thing that Kevin outlined was the operational excellence framework that we have across the board, and it has been improving our execution, whether it's in R&D, whether it's in the Go to Market side and, quite frankly, in the back office as well. Right across the board, that operational excellence focus is there as well.

But I also know that you're sitting there thinking how is all of these really going to impact the financial model as we move forward? And I'm going to share that with you. But what I want you to know is that we know that what we have to do to drive long-term shareholder value is to grow revenue, get the return on the investment of the R&D that we've actually put into place in terms of the new products and also to expand operating margins. We're very clear on that. We know that we have to do that.

What I want to do now is to briefly look at 2011 so that you understand the key learnings that we've taken from that period of time in terms of our performance in 2011 forward into the new model and the shaping of the future of Juniper.

So as Kevin outlined, over the last five years, we've had a CAGR of 14% growth. It's a good growth rate. If you take out the recession period of time, it's closer to 18% in terms of growth. And what's fueled that growth is the innovation. 2011 presented its own challenges for us whilst it was a year of record growth and record revenue -- sorry, record revenue, not growth -- we fell short of our own growth aspirations in that year. And why was that?

So when we've reflected on our operating principles, which is what we put out every year at the beginning of the year in how we're going to manage the business, it's very clear in hindsight why that was. We did assume that the macroeconomic environment was going to improve, and it clearly didn't. And it's not an environment today, as you all know, that is a robust macro environment.

We also consciously decided to continue to expand or to put into the investments that we've had in terms of sales and marketing so that we get the coverage in place, the specialists in place that Gerri outlined, that actually will enable us to fuel the growth of the new products.

We also maintained our investments in R&D for the products that we have that we've bought into market and also the future wave of products that will enable us to capture growth. We also complemented our organic R&D with two acquisitions that we did with Brilliant and OPNET, and you heard examples of where we're using some of the technology from the acquisitions in the new product sets that we have.

We also generated $987 million of cash from operations last year. It was another strong year of cash generation. And we take our cash very seriously, it's a very strategic asset for us as a company. So I want to spend a few minutes to talk about our cash strategy going forward.

If you look at our cash generation ability, it's very strong. It's a reflection of the good operating margins that we have and, actually, the great cash conversion cycle that we have, another testament to the operational excellence that we have across the board.

If you -- we have an asset-like model. As you saw coming into the facility here today, we are building out the campus here in Sunnyvale, it's about $300 million of CapEx by the time we're finished. We're about halfway through. We're going to occupy the buildings there by the end of this year.

In terms of the net cash position at the end of the fiscal year, we had $3.3 billion of cash -- net cash, actually. Of that, of the gross cash that we have, so we have $1 billion in borrowing, so of the $4.3 billion, that's roughly 50/50 offshore.

Now I'm going to make sure that we understand how that transpires. So if you look over the four-year period here, we actually added net cash of $1 billion to the balance sheet. We generated cash flow from operations over that period of time of roughly $2.6 billion. We returned to shareholders through our buyback $1.6 billion of the $2.6 billion. We've also acquired companies, and the cash value with those acquisitions is about $400 million of net cash.

So if you look at the uses of cash that we've had, they've all been domestic. The generation of cash is roughly 50/50, so our US cash position before we did the borrowing actually had depleted to much less than 50%. So I think it's an important point to understand that, because that is going to be the case as we move forward here.

So as we go forward, the uses of cash are growing the business organically, complementing that growth of business organically, making sure that we have enough liquidity in all of our jurisdictions no matter what the economic conditions, so being relatively conservative on that. Making sure that we are focused on targeted M&A to complement our organic R&D. No change in that strategy. We also will continue on our buyback program. And I want to go through the principles of that as well, because I know that's a question that I often get asked.

So in terms of our repurchase strategy, over the last five years, we have offset the dilutive impact of our employee programs. The share count, as you can see from the slide, has been relatively flat over that period of time. As Kevin talked about, talent is a key part of our strategy historically and going forward. We need to have employee programs to incent the right behavior and align that with shareholder value creation as well.

We have also had very a disciplined approach with those employee programs over the last period of time. And we've reduced the percentage of shares that we've been issuing to the total shares outstanding. And as I said, again, a very disciplined approach there. So the board has just approved an additional $1 billion of buyback authorization. And that will go towards making sure that we largely offset the dilutive impact of our employee programs, and any opportunistic purchases that we do will also be governed by our onshore and offshore cash positions. So I want to make sure that that's really clear.

So let's move to the P&L -- I know that's something that you all been waiting for -- and how we drive revenue growth and how we expand our operating margins.

So Kevin talked about the TAM, $50 billion of TAM exiting 2011. We very clearly have been bringing out new products that have expanded the TAM or the opportunity that we've had in the addressable market. And all of those products have come out in this period of time. So we're keeping the TAM constant here between the end of 2011 and the end of '15.

In terms of -- and that's an assumption. So making sure that we use the base of 2012, it is our view that the markets we serve will grow in a healthy range of about 7% to 8% on an annual basis. Stefan actually mentioned that number before. I wanted to make sure that you had it on the slide.

And if you look at the markets that we address, routing, we expect the CAGR over that period of time to be about 9% to 10%. Stefan also said that the SP portion of that will grow faster than the rest of that market. We also believe that switching CAGR will grow approximately 5%, and that is a large market, and we have a low share of that. So that's not a huge factor in our growth assumptions as we move forward. And security for all of the reasons that Stefan -- sorry, that Bob talked about this morning with Nawaf, we are focused on security. We think that CAGR will be about 5% over the next period of time.

So in terms of that growth, that is actually lower than what the industry analysts have published today. It is our view that their estimates are too high in terms of growth. So this is our view. Regardless of the market growth, our long-term strategy is consistent. We're going to grow revenues faster than the markets that we serve through the innovation that we deliver through the products that we're bringing to market.

So I know a question that you all have is how will our new products capture the market share and contribute to revenue growth over the next period of time?

To calibrate you, I want to make sure that everybody understands how long it takes to get to a meaningful amount of revenue when you're bringing products into market in our space. So these are the last three platforms that we brought out. Kevin talked about the fact that they contributed $1.8 billion to 2011, and I'll go through that in a minute.

But if you look at the ramp of revenue, these products have been successful. We view these as a success. The market views these as a success. If you look at how long it took the MX to get to $100 million of run rate revenue in a quarter, it was eight quarters. If you look at EX, how long did it take to get $100 million a quarter of revenue? Eight quarters. It took SRX eight quarters to get to $80 million a quarter given the focus and the market opportunity that, that product has.

So I put this up not as a predictor of the future, but the fact that we know how to introduce products that change the architectures of the spaces that we are focused on. The team knows how to do it, whether it's on the Go-to-Market side or whether it's on the R&D side.

So I also want to calibrate you on 2011 revenue. If you look at the $4.4 billion that we talked about for 2011, $1.8 billion came from MX, EX, SRX. Those products are going to continue to grow. Be under no illusion that their best growth days are behind them.

They're going to continue to grow. Because as Stefan pointed out, the MX that we're selling today is very different to the MX that we sold a few years ago, not in terms of the architecture or the chassis, but in terms of the scale and capability and the software offerings that, that has. So that will continue to capture new customers, new markets and new opportunities. The EX and the MX -- sorry, and the SRX are exactly the same, same philosophy, same play, okay?

So I know you're all sitting there thinking how much we're going to do on the new products, the five new products. So between ACX, QFabric, PTX, T4000 and the packet core software from MobileNext, we believe that by the end of 2013, as we exit 2013, those five products combined will be approaching a material level of Juniper's revenue. So to be clear, so there's no confusion, exit of 2013, Q4 of 2013, we will be on an annualized revenue run rate for those five products combined, product-only revenue, of $600 million.

So now let me recap our revenue outlook. We expect the market to grow. It's slightly moderated growth from -- than we stood up and talked about last year, slightly moderated, routing market growth, 9% to 10%, service provider, slightly higher than that.

We expect to grow faster than the markets, and how are we going to do that? We will take share, we will continue to take share with the platforms that we already have had in market. We will also take share with the newly introduced products, and they will contribute to growth, as I outlined in 2013. So over the next three years, 2013 through '15, we expect to grow 2 to 4 points faster than the market growth over that period of time, on average over that period of time.

So let me now talk about gross margin, because that's the next part of the model. I want to start by talking about the gross margin profile of our products. So when you look at the Juniper products, we have a broad range of margins that we make on our products, and it's a very healthy range. If you look at, whether it's at the Juniper average, above or below, you can see the product sets that are in there.

So you can see routing has tended to be above the Juniper average. High-end SRX is there as well. If you look at the Juniper average, the branch SRX, firewall, wireless LAN, QFX and some of the E-Series at the Juniper average. And some of our products are below the Juniper average as well as services staying below the Juniper average. And that's typical of what you see in most companies.

In terms of 2011, I want to calibrate you on that, that there was a question earlier on the gross margins. So the 65.5% that we achieved in 2011 was definitely below our historical average in terms of the range. We've had a range of 66% to 68%. The 65.5% was 2% lower than 2010. So in other words, our 2010 growth margins were 67.5%.

The factors that went into moving the gross margin from 67.5% to 65.5% are listed here. The primary driver was mixed, and it's mixed in all of these three areas -- a high proportion of services revenue, a high proportion of switching revenue, and also a geographic shift in terms of 2011 away from Americas and to the rest of the world.

The other factor that is very important that many people have not focused on is on the cost side. So if you look at the costs, both in terms of the manufacturing overhead and supply chain, they were higher than the historical averages. And the reason for that is the volume that we were anticipating, particularly in the second half.

We've also had higher-than-anticipated services costs, which we've talked about all year last year. And that, as you saw through the customer testimonials, is what we've been putting in place in preparation for the architectural sales for our new products, okay? So those are the main factors for 2011.

So let me talk about what we expect going forward. So in terms of what we expect going forward, firstly, I want to state that we are reducing our long-term range to 63% to 66%. That range is higher than we've been experiencing over the last 12 months, from Q2 of last year through to today. What I also have done here is showed the relative areas of what the new products gross margins are. So you can see, PTX and QFabric are above the Juniper average. MobileNext is at the Juniper average, and ACX is below.

So as we move forward, the primary drivers of our gross margin range are the product mix. We do think that routing will improve over what we've seen over the last six months or so, but we also have other products that are coming in at or below the Juniper average. We also believe as QFabric ramps, that also adds to the average in terms of the gross margin.

What we also will say over this period of time is the innovation that we are bringing to market and the cost improvements will largely offset any pricing pressures out there. That is what we've seen historically, and you heard the Go to Market team talk about our different approach.

When we're bringing value to the customers in a way that drives their CapEx and OpEx down, it doesn't mean that there is no pricing factors that are in those bids or how the customer looks at it. But because of the value that we're driving, that enables us to continue to monetize the R&D that we (technical difficulty).

So in terms of the other area, we do think that services gross margins stabilized, actually moved up. You saw that in Q4, it started to move up there. The team has done a great job in terms of executing in other areas to offset some of those costs.

So now let me talk about the operating expenses. So I'm walking down the P&L, if you haven't worked that out. But I'm going to talk about the operating expenses now. So in terms of operating expenses, we believe that there is a lot of leverage in our long-term model.

We are focused on driving total OpEx for the Company to be in the range of 39% to 42% of revenue. Over the past year, to support the new product introductions, we have consciously spent and maintained a higher level than our historical averages for OpEx.

We did it deliberately. The two factors that will enable us to get within this range are that we will see an increased growth -- we'll see increasing revenues. So revenue will help us get there. But you'll also see some of the benefits of all the operational excellence areas that we've talked about today as well, whether it's in R&D -- we believe that R&D will be 17% to 19% of revenue, and we will continue to maintain the really key innovations that we believe will drive the next wave of growth for the Company.

We're not confused. R&D is the lifeblood of the Company. We will continue to invest in the right areas to drive that growth over the long term. We will also focus, as the team outlined today, around getting operational excellence and efficiencies with our systems and software divisions and also the reuse of the R&D there and continue to leverage the tremendous R&D force that we have here in Sunnyvale, in India and also in Beijing.

In terms of sales and marketing, you've heard a lot of the great areas that we're being focused on over the last year in terms of investments. We are going to maintain those investments, because we believe that the way to get traction with the products is to make sure that the customers understand the value proposition, that they actually are able to implement and architect those solutions in their own networks and drive that adoption across the board.

So you've heard from us today, across the board, that we're focused on driving operational excellence and productivity. So I wanted to give you what that means in terms of the P&L.

So we are already driving programs that will yield a growth benefit to the P&L, both in terms of the gross margin area as well as in the OpEx area, that will drive a reduction of 3% of revenue over that period of time, a production of costs, obviously, in terms of 3% of revenue in 2013.

And so how that translates is gross margin areas in terms of the cost-reductions that we're driving there, whether it's in the supply chain, whether it's in procurement and the inventory area, whether it's in the systems and process area, you heard some of that today from Gerri, and also in terms of the R&D efficiencies that we're already starting to get in terms of what the team has been working on.

And the other area is around global shared services. We have done a lot on that space. There is more work for us to do. So let me take a look at how all of this impacts our long-term financial model.

So before I get into the long-term model itself, I want to touch on 2012, because I'm sure you're sitting there going, this is 2013 to '15, what's going on with 2012? So let me make sure I clarify 2012.

We don't expect the market to grow at the rates that we're putting out here for '13 to '15. We don't expect that market rate of growth in 2012. We also don't expect that Juniper's P&L will be in line with the long-term model in 2012. The way to look at our business for 2012 is the operating principles that we've set out for you at the beginning of the year. And that is how we're managing our business today.

So today, I am resetting -- we are resetting the long-term model for the next three years at Juniper, 2013 through 2015. We anticipate the market growth rate to be between 7% and 8%. Irrespective of that market growth rate, we will grow above market 2 to 4 points. That's how you need to look at this model. It's market plus, market plus 2 to 4 points. We have a growth rate of 7% to 8%. We believe that we will grow between 9% and 12% over that period of time, on average, for the three years.

We're also, as I said before, reducing our long-term gross margin range to between 63% and 66%. We are also taking the steps to get the operating expenses within the 39% to 42% range, and that range should look familiar, because we've actually talked about that before.

What will drive us there is the trajectory of revenue, focusing on revenue growth and also making sure that we focus on the operational excellence across the board. So we believe, over the next three years, our target operating margins are between -- are actually at the 20%-or-higher level.

Our long-term model has a good balance of a healthy revenue growth and strong operating margins to drive long-term shareholder value, which is what we're focused on as a team. Our financial strategy to get there is very clear.

So in summary, on the financial strategy, we continue to drive long-term shareholder value, and we're focused on doing that. We know, in order to do that, we have to grow the top line and we have to take market share, so grow faster than the market.

We will -- we are focused on driving increased efficiencies across the board and expanding operating margins as well as maintaining a healthy balance sheet with a prudent cash strategy and the share repurchase program and the uses of cash that I outlined in the strategy.

So hopefully, we've addressed a lot of the questions on the financial model that you came in here with. We will actually open it up for another Q&A in a moment, but I also want to make sure that we leave you with, what I leave you on the financial strategy side, what the market growth rates are, which I know was a question as you walked in, our view of how the products will ramp, the new products that we've introduced over the last period of time and what our growth margins will do over the next three years.

We are confident in our long-term strategy, our operating principles and our financial model. In the near term, we continue to execute with agility and flexibility given the market conditions that we -- that are currently out there from a macroeconomic perspective.

I'm sure that you have many more questions. But before we get to that final Q&A, I also want to leave you with my thoughts around the rest of the day.

As I started with, our vision for the New Network is resonating with customers, whether it was Polycom or XO or Verizon or Mumbai Airport or many of the other customers that we mentioned today, there are also many other customers that we've not mentioned today. It's resonating with customers.

And actually, the industry is moving towards our vision of the New Network, which Pradeep talked about as well, around SDN. Our products are showing solid traction. They will take time to ramp, we know that, but we also know how to do that.

Our financial strategy is sound, and we're focused on delivering shareholder value through execution and through the innovation and growth that we anticipate with that innovation.

So now I want to invite all of the presenters from today so you can -- we can actually open it up for questions for everybody that presented today, and thank you.

Okay. I should move out of the way.

You can talk amongst yourselves while we're just getting the chairs ready, okay?

QUESTIONS AND ANSWERS

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. We are running just a little bit over, but we do have time for a good 20 minutes for Q&A. And we'll start out with Ittai.

Ittai Kidron - *Oppenheimer & Co. - Analyst*

Hi, over here. Ittai from Oppenheimer, thanks for the presentation. Robyn, I wanted to dig into a couple of things that you gave in your presentation, first of all was the $600 million annual run rate exiting 2013 around the five products that you've called out.

To be frank, it seems like a very low target, so quarterlizing it, it's a $150 million run rate exiting that year on a quarterly basis under the assumption that the T4000 is already going to get installed in a pretty broad core footprint that you have. It seems like you're leaving a very small contribution for the rest of the other new products that you mentioned that are part of that mix which is the SCX, the QFabric, PTX and MobileNext.

Why is it such a still a very low contribution from those four products exiting next year unless I got it wrong, and T4000 is not going to be as significant as I think?

And the second question goes to your operating margin target. Taking the worst-case gross margin level that you've set out which is 63% and the worst-case OpEx level that you've set out, 42%, already there, we're starting at 21%, so why you're setting that at 20-plus? Why not be a little bit

more specific on the operating margin and set a little bit more of a higher range on that? It seems like even in your scenarios, your starting point is already higher than 20% plus.

Robyn Denholm - *Juniper Networks - CFO*

Yes. So let me address the second part first and then I'll talk about the products and Stefan, who's moved, he's going to be behind me, so you can also address the ramp of the products.

So in terms of the operating margin, your math is right. It does. If you take the low end and the high end, you can calculate 21%. So we believe 20% plus on average over those three years is the right target range for us. And we -- and obviously, there are factors where we will achieve the range of gross margins and we will also achieve the range of OpEx. So our view is that 20% plus over the three-year period of time is the right range for us in terms of operating margin.

In terms of the product ramp, we are happy with the product ramp. We are happy with the traction that the T4000, we are happy with the traction QFabric is getting. We are happy with the traction MobileNext in terms of the software solution. Obviously, to be clear, the $600 million does not include the MX portion of the MobileNext solution. It's just the software on top. I made that very clear.

In terms of the ramp, you just look at the eight-quarter average of those three products and how long it takes us, it's about eight quarters to get to $100 million for the infrastructure side in terms of ramp. And then, our view is that we will have $150 million in the Q4 quarter and it will approach for the year a material amount of revenue. So in terms of more specifics on the ramp, you want to go through that?

Kevin Johnson - *Juniper Networks - CEO*

Yes, I think it's basically consistent with what we've seen in the past. You mentioned MobileNext only includes the software portion. Same comment, I would say, on access and aggregation, there's an ACX portion of that market and then there's the MX solution that's not counter in that.

So I think relatively consistent with previous trends. As you look at the different products, there is obviously some that are easier to insert and some that take longer, right. So the T4000 will be easier. But even there, you're looking at what we said in the past, nine months or so qualification and you roll it out over a pretty diverse set of deployments, right, and that then drives the revenue in terms of recognition.

So we think all of them will make a significant contribution. Clearly, there are some things that are more closely to our sweet spot and are easier to insert and they'll probably make up a bigger portion.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Simon?

Simon Leopold - *Raymond James - Analyst*

Thank you. Simon Leopold with Raymond James. Two things, one, I want to see if we could clarify the gross margin commentary in that, overall, it looks like we're talking about a lower gross margin, yet when you gave us the comparisons, it seems as if the high-margin products are the ones that are growing fastest.

So I'm not feeling like I'm crystal clear on why the overall gross margin is trending down. If you could review that, because it seems like you've got a favorable mix shift. And then the second question is around the capital spending trends and the service provider vertical this year.

When we look at CapEx models, it looks very favorable, particularly in North America. And I think Kevin addressed this earlier in the year around wireless, but if we could at least revisit that topic of how you're matching up your 2012 sales trends with service provider spending patterns.

Robyn Denholm - *Juniper Networks - CFO*

Okay. I'll talk about the gross margin. So in terms of the gross margin, as I said in my prepared remarks, Simon, the mix in terms of routing will improve. We actually do see that. We also see that we'll continue growing in the switching area, and we will continue -- we will start to grow in the mobile backhaul space, the ACX product area.

And so on balance, even though we do see a favorable mix with the existing products, we also see other factors coming into that mix that will actually offset each other or may offset each other over that period of time. And so if you look at the gross margin range, 63% to 66%, we're bringing the top end down by 2% and we're bringing the bottom end down by 3%.

So it's not a big movement. It is a better gross margin than we've been seeing over the last period of time, which gets your favorable routing mix question or not. We will see a more favorable routing mix than we've seen over the last two or three quarters. And so then the other thing, as I said in my prepared remarks, on the cost structure around the COGS area, we're continuing to work on that in terms of the other cost of goods sold. And then on the services side, we've also started to see that stabilize as well.

Kevin Johnson - *Juniper Networks - CEO*

In terms of your question on the service provider capital expenditure spending patterns, 2011 was a bit of an anomaly year in that if you look at the overall spend of service providers, 50% of their spend occurred in the first half of the year and 50% in the second half of the year. And if you map years prior to that, the four to five years prior to that, you would see a lower percentage in the first half of the year and a higher percentage or an uptick in the second half of the year.

So year-to-date, in 2012, if you just look at service providers, the top service providers and what they reported through Q1 plus what they guided for Q2 and what they've guided for full year, it looks like 2012 is returning back to a more normal pattern of service provider expenditures. And we'll see how things play out at the end of Q2. Certainly, it's not a secret that there are certain challenges in Europe, especially in Western Europe.

I think VIN commented, Gerri commented on, we're seeing good traction in our business in Eastern Europe. But thus far with just the data, if you take top 20 service providers and just look at what they've guided in their expenditures, capital expenditures through Q1 and what they've guided for Q2 and rest of the year, it looks like it's returning to a more normal pattern, which has a higher percentage of capital expenditures in the second half of the year.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. Simona?

Simona Jankowski - *Goldman Sachs - Analyst*

Hi. Thank you. I just wanted to understand some of the assumptions in terms of your top line growth in the next three years. Clearly, you're still expecting to be gaining share by two to four points and at least looking in the last sort of three quarters and perhaps in the next one to two quarters, that's not really the case.

And then, of course, we have Alcatel-Lucent coming into the market next year with the core router, and I know you've commented on that, but that's just another seemingly meaningful factor. So if you can just give us a few more details on that on the drivers of the share gains that you're

expecting? And then just a quick clarification, Robyn, on MobileNext, I think you showed it as an average gross margin, but since it's a software product, why should that not be above average?

Robyn Denholm - *Juniper Networks - CFO*

So let's talk about the market share position. Stefan will do that.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Sure. Yes. So if you look at the turn of last year in routing in particular, so SP, Edge routing, we started off very strong last year, gave some of that strength back where we ended up, up marginally 0.3% or so.

And in core, obviously, it was a more challenging environment, particularly in the second half. We lost some share as some of our customers were looking for the new products as well as some of the areas we're strongly exposed to from a market point of view, geographically, we're not as strong.

Then in Q1, we actually gained share again in both categories, both Edge and core routing, if you look at that. So those things do go in waves. But when we look at the upgrade cycle that we're driving on MX, with the new software capabilities, that's the way we're going to gain share. Obviously, T4K upgrade and the PTX insertion, that's the way we're going to drive share. And I think we're in a good position to do that as we ramp those products.

Robyn Denholm - *Juniper Networks - CFO*

And clearly, on switching, we have been gaining share as well just to add.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Absolutely. On switching we've gained share very consistently and growing significantly faster than the market. We should see, particularly in the data center, 10 gig top-of-rack spaces, some of our QFabric effort is really helping us, and we continue to take share.

Kevin Johnson - *Juniper Networks - CEO*

Yes. I'd also add, just to complement Stefan's comments, you're just taking the routing business. The fact that we did not have a mobile backhaul solution where -- certainly, there's a significant portion of routing spend happening in the mobile backhaul area, now with our Universal Access solution and the ACX, certainly that gives us a competitive offering, a very competitive offering in a portion of the router market that we didn't play before.

While at the same time, we're strengthening our proposition on both Edge and core. And so certainly, this is about the innovation and this wave of new products that we've just delivered and our ability now to go drive execution and monetize those across the domains that Bob and Stefan described.

Mark Sue - *RBC Capital Markets - Analyst*

Thanks, Lisa. It's Mark Sue, RBC. Question for you, Kevin, and for Robyn. The financial model reset, what part of it do you think is structural and what part of it do you think is industry-specific and temporary for the next three years?

And I ask because the notion is that the service providers have consolidated, they're pooling their purchasing power. And I think that for Juniper to continue to grow, you have to grow your wallet share with -- particularly with two customers who make up 70% of North American CapEx.

Does that get progressively challenging for Juniper? And then if we look at the industry, it's constantly defined by new products, there's always new products. And if it does become a velocity game, with everyone launching new products, with the increased R&D and sales and marketing, do you think the industry's overall operating margins have peaked and we're now on a downward trend for the industry? And I'm asking because I'm trying to see if I should start looking at another sector.

Kevin Johnson - *Juniper Networks - CEO*

Let me try and take the first part of that, and then, Robyn, I'll let you comment. Look, our business is one that we've got a higher percentage of our business, 60%-plus in service provider sector and 40% or so, 38%, 40% in enterprise sector. And the strategy that I described and being able to monetize the investment we make in R&D across both sectors is an important attribute of -- by diversifying the customer base, ideally, we're able to smooth out lumpiness in spending and also maximize the return on investment of every dollar that we invest in R&D.

And the thesis that I have is if you look at the industry itself, any network technology company that invests in R&D and then only monetizes that R&D in either the service provider sector or only monetizes it in the enterprise sector, that business, in my opinion, will be at a long-term economic disadvantage.

Therefore, our strategy is one, for every dollar of R&D we invest, we invest to build the fewest number of basic building blocks. We build these systems, and we build these systems and the software on top of them in a way that allows us to monetize them across the domains that we just showed you today and across service provider and enterprise.

Now that's an important attribute of our strategy and it's one that I think is an important thesis for why we believe that being an innovator in this business is a good place to be. This is an industry that the innovation -- in many ways, the innovation in networking has lagged the pace of innovation in other parts of technology, whether it is in compute or storage.

This is a part of the industry that, we believe, customers need an innovator. And this is a part of an industry -- this is the industry where I think innovation can have the most positive impact on customers.

Therefore, the fact that, even on the service provider side, where do you see consolidation, the fact that there are scale economics in the service providers business, there are natural scale economics in that business, is going to drive the market trend of seeing consolidation happen in service providers and seeing even if they can't consolidate, they'll form partnerships for procurement.

But what it doesn't change is the fact that innovative technology can provide more value and more benefit to those customers than just a lower price.

So as long as we keep turning the crank in our silicon, in our systems, in the solutions, in the software to reduce the cost per bit of traffic, do things with the Converged Supercore and the PTX that no one else can do it, it allows these customers to have hundreds of millions of cost avoidance by embracing the solution.

The value we can deliver in those markets far exceeds some play that says, Okay, there's going to be consolidation of procurement, and it's just going to be a squeeze on gross margin.

Now it's up to us invest in R&D in the right areas and for us to execute on that investment, both in the product creation and monetizing those products.

So I would say, number one, being thoughtful about where we place our R&D investment so that we have the maximum benefit that innovation can deliver to the customers. And then, certainly, number two, ensuring that as we are building this technology, we have opportunities to monetize it in both service provider and enterprise sectors.

And then number three, that diversification of the customer base, both deepening the relationships, even with our largest customers. We have a much more strategic relationship, in many cases, with these key accounts than we've ever had, and continue to deepen the relationship while expanding the number of customers we do business with.

I think that's going to allow us to continue to run a very healthy business for quite a while. You want to comment on --.

Robyn Denholm - *Juniper Networks - CFO*

No. I think you've covered it all.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Brent?

Brent Bracelin - *Pacific Crest Securities - Analyst*

Brent Bracelin, Pacific Crest Securities. Two questions, if I could. The first question is really around this eight-quarter timeline till you have a material ramp in the business. We've seen some purchasing delays by customers already on their core product. Is there a risk over the next seven or eight quarters that we see additional customer delays as you kind of roll out these new products, one?

And then the second question is really around the router market overall. Infonetics, I think, showing a three-year CAGR over the last three years of about 5% growth. You're now saying the router market over the next three years is going to be actually higher than that growth rate.

So, could you tie what looks like a more competitive routing market and your optimism that it actually could grow faster the next three years than it has the last three years? What's driving that optimism? Is it higher ASP assumptions? Is it the assumption that maybe a competitor drops out of the market? I'm just trying to understand. If the market in routing did grow 5% in the last three years, why do you think the router market is going to grow 9% to 10% over the next three years?

Robyn Denholm - *Juniper Networks - CFO*

Stefan, do you want to do the router market growth?

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Sure. So when we look at the part of routing where we play, the 9% to 10%, that's actually -- and you might have -- we might have to compare the data, but that's actually somewhat slower than we've seen it grow in the last few years. Routing had pretty healthy growth over the last few years.

So I would say that most analysts that I've looked at, when they look forward, they still have it somewhat higher. Although 2011 certainly is going to be below -- 2012, sorry, 2012 router market growth is going to be below the long-term number, right. So we do see a recovery from '12 to then '13, '14 and '15, right.

Robyn Denholm - *Juniper Networks - CFO*

And to amplify Stefan's point, the rate that we have for router growth is actually slower than what the industry analysts have there, marginally.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

Your point -- his point, is if you could take the last three years, which includes the great recession, we had a year of negative growth in there. That's why when we showed you the models and things we looked at, we looked over the last five years from '06 to '11 to get a better proxy. That still includes the great recession of '09. But the fact is, I think the numbers that Robyn showed are lower than what industry analysts project router market to grow from 2013 through 2015.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Paul?

Paul Silverstein - *Credit Suisse - Analyst*

Thanks. Robyn, what are your underlying assumptions in terms of the macro economy? I'm not asking you to predict the macro economy. It's hard enough for us to do that.

Robyn Denholm - *Juniper Networks - CFO*

Yes. I was going to say. So from my perspective, our view is that it continues to be volatile and that we've definitely seen that since 2009, in terms of the macroeconomic conditions, Kevin touched on Europe and the fact that Europe is a headwind from a macro perspective, our view is that there continues to be uncertainty in the macro environment pretty much through this period of time that we've talked about today.

He's off.

Unidentified Company Representative

He's on now.

Robyn Denholm - *Juniper Networks - CFO*

Okay.

Paul Silverstein - *Credit Suisse - Analyst*

With respect to your guidance, are you assuming no change in Europe? Are there -- are you assuming improvement in Europe, or are you assuming improvement in government spend? Or if the macro economy stays stable the way it is today, will you -- is that in your guidance?

Robyn Denholm - *Juniper Networks - CFO*

Yes. I wouldn't characterize it --.

Kevin Johnson - *Juniper Networks - CEO*

Is it stable today?

Robyn Denholm - *Juniper Networks - CFO*

Yes. I wouldn't characterize the current environment as stable. I think it is volatile. Having said --.

Paul Silverstein - *Credit Suisse - Analyst*

(inaudible - microphone inaccessible).

Robyn Denholm - *Juniper Networks - CFO*

No. Our view is that there'll be continuation of things going forward for a period of time and things going backwards for a period of time. So we're not expecting a vast improvement in the macro environment in our assumptions as we move forward.

Kevin Johnson - *Juniper Networks - CEO*

And, likewise, we're not expecting some disaster or crisis in that scenario.

Robyn Denholm - *Juniper Networks - CFO*

Yes.

Kathleen Nemeth - *Juniper Networks - VP - IR*

The last question maybe from George?

George Notter - *Jefferies & Co. - Analyst*

George Notter at Jefferies. I had some questions about the $600 million run rate number exiting the year last year.

Robyn Denholm - *Juniper Networks - CFO*

Next year.

George Notter - *Jefferies & Co. - Analyst*

Sorry, next year. So I assume from what you're talking about, this is a bottoms-up analysis. It's not just a straight comparison with somebody's historical product cycles.

Robyn Denholm - *Juniper Networks - CFO*

Yes. No, I was hopeful that was clear. History is no predictor of the future. But what we have done is we've taken into account the factors that led to those ramps. And we've also, obviously, talked to customers. We've talked about that through the presentations in terms of the traction that the products are getting in the marketplace today.

George Notter - *Jefferies & Co. - Analyst*

Okay. And then why not include the services piece in there? I think you said it was product only.

Robyn Denholm - *Juniper Networks - CFO*

I didn't want a confusion there. Obviously is services revenue with those. But I wanted to be clear that that's a product-only portion of the revenue.

George Notter - *Jefferies & Co. - Analyst*

Okay. So when we think about overall revenue attached to those new products for the Company end of next year, it would be -- we'd gross that kind of number up by some amount for services, presumably. Okay.

Robyn Denholm - *Juniper Networks - CFO*

Absolutely. Yes. And the other thing I want to be clear on is, we also expect to grow MX, EX and SRX. So I think I've said it four times, but I just wanted to say that as well next year.

George Notter - *Jefferies & Co. - Analyst*

And then, just the last piece of this. I guess I'm assuming right now that this T1600 is a very large or majority piece of your core routing business. I guess I would assume that exiting 2013, the T4000 would become a very large or majority piece of your core routing business.

So, just judging by the math here, it sort of feels like you're seeing, you think your overall core routing business is going to decline. I presume that of the $600 million, a pretty large chunk of it would be T4000. And so, again, relative to the run rates you're generating now, it kind of feels like you're saying core routing's going to go down. Am I mistaken in that, or is that --?

Robyn Denholm - *Juniper Networks - CFO*

No. We're not saying that. I think what would help, Stefan, as you can go through in terms of how long it does take to qualify and deploy even installed base upgrades in terms of --.

Stefan Dyckerhoff - *Juniper Networks - GM - Platform Systems Group*

So yes, let me -- so clearly, you're right. T1600 is the majority of our core revenue today. We have some Tier 2 cores, we sell some other stuff, but that's the majority, right. So as sort of maybe a reality check, we still actually have T640 revenue, right.

So these things do take a long time. And particularly, the difference between first deployment, hey, I've got XYZ customer, we talked about Comcast, we talked about Telefonica, right, a number different customers that have qualified T4K, they're going to have the first ones in the network to address hot spots. But that doesn't mean they're going to upgrade every core router they have to T4000.

So we expect to sell a lot of T1600 still. We expect to sell a lot of T1600 cards that work in both the T1600 and the T4000. So that's kind of how the model works.

The number of $600 million, I think, is consistent with what you've heard, which means we're growing faster than the market. And then the different part there is that they'll go -- they'll make up different chunks of that $600 million. And of course, we want to be always better than all the targets we set. But I think it's a realistic target if you look back at the history.

Kathleen Nemeth - *Juniper Networks - VP - IR*

Okay. That does conclude the time we have today for questions. I'd like to thank you all once again for joining us today here in Silicon Valley for our 2012 FAM. Thank you.
