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EDITED TRANSCRIPT

JNPR - Juniper Networks IR Investor and Analyst Update from Mobile World Congress

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PRESENTATION

John Nunziati *- Juniper Networks, Inc. - Senior Director -- IR*

Good afternoon. Welcome to the event. I appreciate that you all made it. I know some of you travelled quite a distance to get to Barcelona. On behalf of Kathleen Nemeth who is back in California and Lisa Hartman who's in the room, I'm John Nunziati for any of you that I haven't met.

I'm happy to have you here and just to give you one brief reminder, and I know you're all familiar with, if there are any questions about the risks and uncertainties, you can read more details in our most recently filed document with the SEC from November 8th.

I'll take a quick look at the agenda for you. Kevin will come up and deliver some opening remarks. Bob Muglia is going to provide some input on software and security. We'll have Rami provide his thoughts on networking innovation. And then we will have Q&A and Kevin actually will be joining us for Q&A also.

A couple of other items, one, for those of you that need a ride afterwards and don't want to brave the cab line, there will be a bus. It will be upfront in the hotel and it'll be making four stops. I think it's Plaza Catalunya, España, and then the W and the Arts. So, feel free to take advantage of that and hopefully it will show you some time in getting back.

And then afterwards when we break for Q&A, please make sure to raise your hand and get the mike before you begin the question because we are webcasting the event and welcome to all those who are joining us remotely.

So with that, let me turn it over to Kevin.

Kevin Johnson *- Juniper Networks, Inc. - CEO*

Well, I just want to take this opportunity to thank you for joining us here today. We had been in a bit of a cadence where, in June, we do the financial analyst meeting in Sunnyvale.

We have an opportunity for the management team to share a perspective across the business and then here at the Mobile World Congress in Barcelona an opportunity to drill down a bit more with the -- with the divisional leaders on the product side on the products and what we're hearing from customers and where we're going with the product portfolio. So thanks for joining us today.

As we enter 2013 and reflect back a bit on 2012, we exited 2012 in many ways with, number one, in my view a stronger product portfolio and that's a function of new product capabilities that we shipped in 2012, but also with our focus on excellence in execution.

Some work that we did in the R&D teams to really drive improvements in product quality, things that we did in terms of taking customer usage scenarios and building them into our testing processes, things that we've done in terms of driving a tighter interlock with customers in terms of the feature requirements that they're going to deploy at certain times and how we're -- how those feature sets are being tested in those scenarios, and as a result, that's helping to shorten cycle time from the release of software updates and the deployment in our customer's networks and that's a positive thing.

You know secondly, as I look across the company, we were very focused on the things we could control and specifically driving our operational execution whether it's on the go-to market side in the work that we did, implementing Salesforce.com and the pipeline management process, and the cadence in terms of how we review pipeline of opportunities and how that's informing us in terms of the demand cycles and supply chain requirements, and how that's helping us do a better job executing as a company to the things on the R&D side in terms of shipment of product and the testing process, and a much tighter interlock in terms of our work with customers on the future -- the future requirements they have and where we're taking the R&D agenda -- and all those things I think put us in a -- in a much better position as we enter 2013 with the improvements we've made on the execution side of business.

And then third, you know, I think the focus we have -- continue to have on being very thoughtful about capital allocation, certainly, we continue to have a very strong balance sheet, and throughout 2012, we were very opportunistic in terms of our buybacks of the -- of the stock.

We will continue to be very thoughtful about how we manage the balance sheet and we think those are very positive things in terms of the work that we did in 2012 and as we've set up for 2013.

So with that introduction, today we have an opportunity for Bob Muglia who is the executive VP and leads our software division to take you through a perspective on some of the work that we've done in our security business, which I'll remind you is a very strong business on the service provider side, and as we've acknowledged different scenarios on the enterprise side that we've been closing gaps.

And so Bob will take you on an update of that. He'll also take you on a -- on a perspective of what we're doing more broadly on our software agenda around the topic of software-defined networks and the progress and the work that we're making there based on the strategy that we unveiled last month at our global partner conference.

Then we'll have an opportunity to hear from Rami Rahim who leads our systems division and we'll also share a perspective on the way that we're complementing our systems division with the software and the role of the systems play in a world of SDN and the good work and the progress that we're making on the systems side of the house.

Both of them were happy to share perspectives in terms of what we're hearing in the market, how we're progressing with the agenda with our customers, and then Bob, Rami and I are happy to take your questions.

So with that, let me go ahead and introduce Bob Muglia and I'll hand it off to Bob.

Robert Muglia - *Juniper Networks, Inc. - EVP -- Software Solutions*

Great.

Kevin Johnson - *Juniper Networks, Inc. - CEO*

Bob, thank you.

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Robert Muglia - *Juniper Networks, Inc. - EVP -- Software Solutions*

Thanks, Kevin. So it's almost two years ago, just a little under two years ago, that Kevin and I first started having conversations about my joining Juniper. And at the time, what Kevin asked me to do when he wanted me to come onboard to do was to build a software business, and that was pretty exciting challenge that I -- that I looked forward to.

I will tell you that when I took the job, I didn't have the deep understanding of the transformation that was happening in the networking industry because of software-defined networking. That really heated up in the last 12 to 15 months or so.

And you know, we now see this as a very significant shift in the overall industry and it's been one that we've been very, very focused on understanding deeply, spend a lot of time talking to customers and industry analysts to understand the magnitude of this trend and where the industry is going, and it has been a very significant force in leading the way we're going to build the software business both in terms of the architectural approach that we're taking in a consistent architecture as well as in the context of the business model that we're putting in place.

And with that, what I want to do today is give you an update, just a little bit of an update on where we are on our SDN journey and also talk about the security business both in the context of how that interacts with SDN as well as some of the independent things we're doing and some of the announcements that have been made in parallel with this conference at RSA in San Francisco.

With -- let me -- by talking about SDN and really to give you first a little bit perspective on this. In January, we announced our overall SDN strategy at our partner conference in Las Vegas and that was an important unveiling. As I said, we've been spending a lot of time understanding what's happening in the industry and working very hard to put out a very comprehensive vision about SDN.

So just frankly what we saw in the marketplace was fairly confusing. SDN has been one of those buzz words that's generated a great deal of interest. There had been many, many different perspectives on this, different technical approaches, different implement -- different implications associated with what it means.

And so, what we did is we stepped back and really started with the customer scenarios where networking was insufficiently solving their problems and we saw that all over the place. We saw it very clearly in the data center as people wanted to implement private clouds and the networking infrastructure was so inflexible that it was unable to dynamically respond to the expectations that a modern cloud-based orchestration system would require.

And that's where you've seen a lot of focus on SDN and it's quite real. But we also saw similar challenges in other domains in networking as an example in the Edge. Service providers are looking at how they could bring new services to market much more expeditiously to be able to more effectively monetize their customers. And again, the network infrastructure and the way they buy network equipment, the way it's deployed and packaged, was inflexible and unable to really meet the needs they have.

You know, we really see SDN as having many, many dimensions and so we stooped back and said, "OK, what -- given these customer problems, what are the core principles of SDN?" And working again with our customers, we came up with six principles.

First principle, separating the networking software into the four layers or planes. Not talked about a whole lot but really important, understanding that inside these networking boxes, inside these systems, their software is actually separated into a forwarding layer, a control layer that talks to different -- other piece of networking equipment, a services layer and a management layer -- understanding that and being very clear in that separation.

Principle two, centralizing those components that make sense. You can't -- it's not just an all or nothing thing. Some things like forwarding don't make sense to centralize because it's naturally decentralized. Other things like control, you know, some pieces make sense -- make sense to centralize and some don't. But really being clear about what should be centralized and then focusing hard on that.

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Principle three, use the cloud, leverage the technology that is being built broadly by the industry. The networking industry builds self-contained embedded systems that have not participated in the innovation that's been happening in the general purpose x86 market with the cloud-based infrastructure.

Using virtualization, using standard operating systems, using modern development tools, using all of the same components that cloud providers use to build those services, enabling that to networking services to participate in that really, really big principle, very important.

Number four, build a platform, expose a set of services that allow a new -- expose a set of networking application programming interfaces and protocols that allow a new generation of services to be built.

And those things need to be exposed at all four layers of the networking -- of the networking software, -- the forwarding layer, the control layer, the services layer and the management layer. You can't just layer. You can't just take a bunch of old network equipment and plaster over a set of APIs and call that SDN. No matter how big a vendor you are, it doesn't solve the problem for you. You need to expose an architected platform across all four of these layers.

Number five, standardized protocols, leverage standard protocols where they exist today to build these next generation of systems and then, as new protocols emerge, work with other vendors and the industry as a whole to create new standards -- very, very important to enable the interoperability our customers expect.

And number six, recognize that these ideas, these principles apply broadly across the networking industry. They apply in the data center domain to solve the private cloud problem. They'd apply in this -- in the Edge domain to solve the services generation problem that service providers have. They make sense in campus. They make sense, in some senses, in the core and in access and aggregation. Leverage these ideas very broadly.

So, these six principles, we started by laying out these six principles and saying these are industry-wide foundational principles that we have validated time and time again. You know, with every conversation we have with every customer with every industry analyst, they go, "Yes, these are appropriate and, you know, they are the guiding principles upon which we are building our SDN strategy."

So that's the first thing. But then the question is you -- all of our customers have running functional networks, how you get from here to there, and you know, we've laid out a clear four-step roadmap that allows customers to begin to take steps now and begin to implement SDN into their networks in 2013 and yet provides increasing degrees of value as time goes on.

Centralizing management, very important for lowering operating expense and simplifying the way manage -- networks are managed.

Extracting services, beginning to pull services out of the box and labeling services to run free inside these x86 virtualized systems, centralize the controller. Here, this is a key step because what it allows you to do is to get a bird's-eye view of the different services and it establishes something that we think is very important called "service chaining."

When we step back and looked at the overall problems that our customers were trying to solve, whether within the data center or whether it was in the Edge or wherever it might be, what we discovered was there was a common architectural construct which we call it "service chain" that could be used to solve these problems, connecting a set of services together between end points in the network to provide business value to customers.

Business value, whether it's within the data center and solving the private cloud problem or whether it's in the Edge and enabling service providers to drive new services to monetize to their customers. This concept of a service chain is the broad architectural construct that can solve those problems for our customers.

No one else in the industry was talking about this. You listen to Big Switch, you listen to [Nyserio], you listen to Cisco. Go wherever you want, people weren't talking about that common architectural construct as a way of solving the breadth of the problems.

And when we go out there and talk to customers, it resonates. This is they're like, "Yes, this is what we want to do," whether it's a service provider, customer or an enterprise that's looking to solve their private cloud. These sets of -- these sets of -- these centralized concepts of service chaining and this approach is resonating very effectively with it.

And then finally, the hardware still matters, the hardware that we see more opportunity to drive silicon innovation and to take the services that we've now chained together in these x86 systems and optimize them through hardware.

So, all of these steps are important and the interesting thing is that Juniper -- we announced this in January. We're delivering on it now. We have in the market shipping of an application service director that is allowing for centralized management.

We announced at this show on the Edge space the services -- the services director and services activation director which will manage Edge services for our customers, those are things that customers would be able to -- are either doing now or will be able to do very shortly.

So, on the central -- on the -- on the centralizing management, step one, real products in the market today that are actionable for our customers. Step two, extracting services. The underlying platform of this is a technology we call "JunosV App Engine." That's shipping now in our Junos -- in our -- in our -- with Junos -- with MX and Junos 12.3, and we're now seeing the beginning of companies building services on top of this.

We announced that our Mobile Control Gateway, which is a part of MobileNext and our partner Hitachi, has built their SGSN/MME solution on top of JunosV App Engine, and they're demonstrating this in their booth here in Barcelona. So, a real plus that customers can begin to validate and deploy within their network shortly.

So, very, you know, short-term delivery on the commitments that we made just over a month ago and we're working hard on the next steps too, about centralizing the controller which I said was 2014, making great progress on that with our control acquisition and optimizing the hardware. So, four steps, very straightforward to get to SDN.

And then finally, there's the business model side and having a common business model for selling software. When I say selling software, what I mean is software that is not sold with hardware. The networking industry as a whole has no business model for doing this. The entire business model in the networking industry, Juniper included, is selling boxes, selling systems and softwares included within that.

We're building and creating a software business and licensing model based on enterprise licensing approaches that have been tried-and-trued by Oracle, SAP, and Microsoft, HP Software, and we're building, you know, a 2013 implementation of this to allow our customers to acquire our software, get on a maintenance agreement, to get upgrades, to get all the new versions to be able to transfer their licenses to new systems, and at the same time, you know, for them it's a straightforward way of purchase and for us it's an ongoing annuity revenue stream and it's a new business, a new growth opportunity for Juniper.

So, lots of fun stuff in the SDN side, recently announced strategy, real progress that's been demonstrated here in Barcelona, as well as in the show that's happening in conjunction at RSA in San Francisco.

In connection with that, what we've done is there's a set of new services that I'll talk about in the next slide targeted at the data center. But when you look at the kinds of services that are interesting to be chained together as a part of it -- of SDN, security services are top of the list in the interesting services that our customers are seeking to buy.

And we have several of these services that are announced and available shortly, that are part of our security portfolio that participates fully in this SDN strategy. So our security business is a full and first participant in our overall SDN approach and it's generating a great deal of interest from customers who are looking to get a broader solution for security and we have a set of services that are -- you know, that are either available now or will be available shortly.

So, manage -- on the manageability side, step one, the security director. In the services space or security services, we have Firefly which is our virtualized firewall -- virtualized firewall clients as well as WebApp Secure which is -- are previously known as Mykonos product that is now going

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to -- is branded at WebApp Secure and that's a security service that fits into this as well as a newly announced service, DDoS Secure, which is based -- comes from an acquisition that we -- that we just did recently.

Let me talk a little bit about our announcements that we're making this week at RSA on the security side. You know, within the security business, we have been very clear that, you know, we want to segment the security business.

You can look out at it as a service provider sector and an enterprise sector, and we have said for some time that we've had a great deal of success in the service provider sector with the SRX and with the deployments of secure mobile systems. In particular, we continue to see significant interest as service providers deploy LTE-based systems, and this is an area where we lead and we intend to continue leading.

If you go into the enterprise space, you can split the enterprise into two different domains. One is the data center and the other is the campus domain. And there, our SRX product is well-positioned and with the announcements we're making here, we have a lot of -- a lot of opportunity in the space.

The campus area is really the area where we're the most behind and, you know, we'll continue to work on that. But what we wanted to do today was make a set of announcements that really, you know, create a strong set of product offerings in the data center domain for security providing our enterprise customers with the most complete set offerings and the broadest security capability that they can have in the data center.

So what we have -- we're announcing this week is a set of services that work in conjunction with the SRX to secure the data center, providing customers with unparalleled sets of capabilities in terms of ensuring that the applications that they're deploying in the data center are secure.

And, you know, let's be clear. This is a topic of conversation and interest right now. Note The New York Times and the hacking that was done in the business applications of The New York Times or USA Today or most recently, Microsoft.

I mean, there -- I love the one quote that New York Times had, you know, "It isn't the question of if you can hack, it's a question of who hasn't been hacked inside their data center application."

So there's a great deal of interest associated with securing these data center apps, and the combination of the SRX, which is battle hardened within our service provider space together with these new sets of services -- WebApp Secure which provides the intrusion-deception technology that we licensed from Mykonos; our DDoS Secure which is the denial of service prevention technology that we recently acquired from NetScreen -- taking these services and building them into the SRX with the SRX series services gateways and then -- and then on top of that, building a -- the world's first device-centric, global hacker database.

One of the key things you need with security services is to have information about the bad guys falling down to your systems, and typically that information is based -- been based on IP address which changes frequently and is frequently obscured. You know, you can have entire organizations to have one IP address.

We've created a set of proprietary approaches to fingerprint individual devices and individual hackers and to be able to track them as they make attacks on different parts of the data center, so this is very new, very specific technology that's generating a great deal of excitement with the industry analysts as well as customers we briefed.

So collectively, all of these things together with the leadership we already have in terms of a high performance firewall with the SRX, we feel positioned us very strongly in the data center space. Now, it's not the solution to all of our challenges in security. We're still rebuilding in this area. This is an area where we said our goal is to stabilize our share this year.

We still have challenges in the campus area which is a very significant part of the enterprise security market but we are -- you know, we have done the set of steps we need to ensure that we're beginning -- that we -- that we will make traction in the enterprise with the data center.

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And at the same time, we've also gone back and focused on the fundamentals with the SRX, and have just shipped a whole set of performance improvements that continue to put us in a leadership position with the capacity in throughput that we have in the SRX and will continue to allow us to maintain our leadership role in securing the service providers.

Service providers care about speed and they care about stability and they care about environments they're familiar with, and the SRX delivers all of those. Nothing else in the industry does that that's why we are in a leadership position, and with this new sets of performance improvements, we intend to maintain that.

So a lot of good progress in the fundamentals of what we're doing, and at the same time, we are -- in the security space -- continuing to branch out, continuing to find ways to work with other partners in the industry.

And I mentioned the importance of having a coherent global attacker database and having coherent information we can deliver to our customers to ensure that they're spotting the bad guys, allowing the good guys in and making sure they find the bad guys and prevent them, and here, working with other leaders in the industry is a pretty important thing.

So we're pleased this -- we'll also be announcing a partnership with RSA where we are working with them to share information about the bad guys and the hackers, and ensure that the security information that we collect, they're also -- they're able to use within their systems and the information that they collect we're able to use.

So, a common set of a threat -- of security intelligence as well as connecting the mobile devices together. So, a lot of progress in security. By no means are we done. We have a -- you know, we have a lot more work to do, and as I said, our objective here is to stabilize our business and stabilize our share this year.

We think we're on a good track to do that, however continue to grow on the SP space and with some of these new things on the data center and this new -- this new spot -- this new spotlight threat intelligence database really takes some key leadership positions.

Connecting of these with SDN is really interesting to our customers because they see the -- you know, the potential that these new -- next generation services and service chaining can provide and some of the first services. We'll bring to the market, as I said, our security services. And as the controller comes to market next year, we'll be able to chain those together in ways that's quite unique in the industry.

So, all of these put together, you know, is -- you know, I think I'm now to the point where I'm doing what Kevin wanted me to do. You know, he asked me to build a software business and I needed to take the step of having a coherent platform in place which we've done with the SDN strategy and the service chaining platform, and a coherent business model we've done with Juniper Software Advantage, and all of that we look forward to grow.

And we're building on top of the shoulders of giants with the work that's been done in the platforms group with -- and so, let me turn it over to Rami and let him talk about the work that he's been doing and how this dovetails. Rami.

Rami Rahim - *Juniper Networks, Inc. - EVP -- Platform Systems Division*

Thank you and good afternoon, everybody. So I'd like to do a few things today in the short time we have together. The first is to give you a bit of my perspective, our perspective, on some of the fundamental underlying technology trends that are affecting our business, and the second thing is to give you just an indication of some of the priority areas that I'm working on in the platform systems division.

So, we'll jump right in. There are three fundamental building blocks that drive all of the information technology advancements in the industry, and these are computing, storage and networking.

And when I talk about information technology, I'm really talking about that term in the broadest sense of that word -- anything whether it is gaming, social media, search, it does not matter. Everything depends on these three fundamental building blocks.

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If you think about a company like Google, they've got fantastic search algorithms, but without their ability to harness the power of these three fundamental building blocks, they would not be where they are as a company today.

I would also argue that when one of these technology components starts to fall behind the rest, they actually start to drag the rest down. What we see today for example in the data center is that the pace of innovation and networking hasn't kept up with the pace of innovation, at least from the standpoint of virtualization and computing, and this is why there is so much attention being paid to (inaudible) in the industry on the network.

Now, you double click on "Networking" and interestingly enough, you'll actually see three more fundamental building blocks and that is silicon, systems, and software. Now, I would say that there's actually a bit of confusion in the industry today where some people are paying a little bit more attention to one of these elements than the others. But I'd also argue that these three are fundamental building blocks of all advancements in networking technology.

If you do not innovate and push the envelope on each of these three elements, you will not make a sufficient advancement in all of networking, and the same thing happens where, if one element starts to fall behind, they will in fact start to drag the rest behind with them.

So I brought a couple of data points to drill on just one of these which is silicon technology. What you see here is a curve that you've probably seen before and that is a curve that defines Moore's Law.

Moore's Law as you probably recalled is nothing more than a prediction of the number of silicon transistors you can put on a piece of dye over time. And the prediction goes somewhat like every 18 months, we'll double the number of transistors that will fit on a dye of a given size.

People have been predicting the end of Moore's Law for some time, but quite frankly, it has held quite true. It has held steadfast and it is in fact something that's quite predictable. People look at this curve, it's an exponentially curve and they say, "Well, if that's the case, then that's the solution to network performance -- x86 processing is the way to go."

Now, it is true that there is a place for x86 processing -- and this is exactly what Bob just talked to you about. There are certain elements of networking whether they be the control plane which Juniper was the first company in fact to move the control plane over to an x86 processor back in 1998. Services and managements are all the domain of x86 processing.

Forwarding on the other hand just doesn't work. This curve is a curve that indicates the rate of change of performance increase in x86 processing year-over-year, roughly 20%-25% every year. And it actually gets a little bit worse than that because this next curve shows the rate of change of -- performance, the rate at which you can put stuff into memory and pull -- out of memory in order to do processing for the purpose of packet forwarding, security and on and on.

So, the difference between networks today that are growing at anywhere between 50% in wire line and 100% in wireless, and the curves that you see here today has to be bridged, and the way to bridge that is in silicon innovation, and this is exactly why Juniper feels that it is absolutely fundamental to continue to invest not only in our software but in our -- also in our systems and also in our silicon technology.

This is a curve that I affectionately call "silicon, systems and software-defined networking." It essentially shows you that, over the last decade and a half, we've pushed the envelope -- capacity of our line card in our systems, increased it by 150 -- both in line card and in system capacity. In that same time period, we've improved power efficiency, probably in the order of around 40 to 50 times, and I'm just focusing here on the performance aspect of our system.

Look at the software -- the functionality that we've innovated into our systems, if you look at the scalabilities we've integrated into our systems, it is equally impressive. And fundamentally, this depends on the combination of silicon, systems and software in order to move the needle forward in all of network progress.

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I'm going to switch gears and, in the rest of my presentation, just mention four key focus areas for us at Juniper when it comes to our platforms and our software. First and foremost is in the core Universal Edge of the [second one]. I'm going to touch on the universal access and then also mention the data center.

We'll dive right in and talk a little bit about the core. We have a three-prong innovation strategy to go after our core opportunity and I think we actually have an opportunity here to extend the reach of our IP -- the traditional IP core into a broader core area, and let me elaborate on that.

With the PTX, we've essentially redefined -- we've defined a new product category which is a transport-oriented packet transport device that moves packets from point A to point B in the network more efficiently than any other systems in the world.

This is transport mindset applied to packet processing. If you -- if there's one statistic to keep in mind when we talk about the PTX, in terms of power efficiency, it has four times the power efficiency, i.e. moves packets from point A to point B, in one quarter the power than the leading core platform today.

And this is the kind of things that you can do when you focus the system single-mindedly designed from silicon up to CLI and management on the problem of just moving packets efficiently.

We complement that with the T series, and the T series of all around an investment protection story, this is a platform that started shipping a decade ago but still has very high density line cards today for any network today that has an existing T series network that is running at the capacity of the problems that -- upgrade. There is no smoother, more efficient upgrade path than to do an in-service T4000 upgrade.

And the last leg of the stool is with the MX. The MX now, especially with some of the newer products that we've -- we're coming out with this quarter, the MX2020 -- we have the ability to essentially introduce a core product that's very service-rich, and in so doing, we blur the lines between the traditional Edge of the network and the traditional core of the network, and provide a product that actually tend to extend services through software right into the network deeper into the network. So I think the combination of these three technology building blocks really give us an ability to set the agenda in the core and go after broader core opportunity.

In the Edge, I would argue today that Juniper has the most advanced Universal Edge platform in the world. We've got significant traction in the business Edge services, great traction in residential Edge services and deployed MobileNext Software that's actually moving 4G packets in our live networks today.

We -- you know, last year -- until last year, the main value proposition of our MX Universal Edge platform was at a flexibility. Customers could buy a foreign application and it evolved with the requirement through the introduction of software to address more and more applications. This is why some of our largest customers use the MX in upwards of a dozen, maybe even 2 dozens different applications.

So what is starting to happen is this Universal Edge strategy that we started several years ago is being really adopted by some of the largest operators to run multiple services simultaneously. We have tier one operators, for example, that are embarking on projects to do residential services, business services, aggregation, video delivery services, simultaneously on a set of MX platforms in their system.

So it's a real indication. It's actually great to see that this is a validation of the Universal Edge strategy that we have conceived as a company several years ago. Now we're not stopping. We continue to innovate in the three dimensions of subscribers, services and bandwidth.

If you take a look for example at what we've done with the JunosV App Engine that Bob mentioned, we've enabled the acceleration of new services to be introduced into our Universal Edge platforms through virtualization.

We continuously enhance our residential Edge and MobileNext services with greater subscribers and more services per subscriber. And last but not least, we're pushing the envelope on the capacity, with the introduction of our MX2020, the MX2010.

The MX2020 has an industry leading 35 terabits per second of fabric capacity that shifts this quarter. So we really are pushing the envelope here, ensuring that we maintain our leadership division in this market segment.

The third area is in the access, and this is a really important area and an opportunity for growth for Juniper. Our goal is quite simple -- to extend the success that we've seen in Universal Edge by pushing that concept into the access.

Now, operators that have built access networks that would have been optimized for 3G and voice recognized that LTE and 4G essentially change everything. A new approach to building their access network is fundamentally required.

There are a couple of things that we knew we needed to do to enter this market. First and foremost is to build a really cost effective access product that enables -- that provides the capacity that's necessary to converge business residential and mobile services onto a common access infrastructure. Now, quite frankly, we were warned that in this part of the network, it's going to be very difficult to innovate, it's going to be very difficult to compete, and we didn't listen.

With the ACX product that we introduced in Q3 of last year, we provided a system that provides the best price performance in the industry, the best timing technology through the acquisition of brilliant technology, and also some really interesting hardening characteristics.

For example, we discovered that one of the major issues with these access devices is reliability, and part of the reliability problem stems from the fact that they have [stands], moving parts and invest the environment so stands can be brutal for the components that sit in the systems. We've done away with the stands.

We've actually provided a system that has hardening properties that can work from extreme cold to extreme heat without any moving parts which absolutely increases the reliability of these platforms in difficult environments, hot or cold environment.

Now, we also knew that, in this market, it's not all about a boxed sell. This has to be an end-to-end solution sell. So what we've done is we've conceived, developed, tested, document and our -- documented and are selling this as an end-to-end solution. We've introduced properties to these end-to-end solutions that are really compelling.

One of these properties for example is we've extended the benefits of MPLS that has traditionally been exclusive to the domain of core out into the access. Now, MPLS gives you great features like resiliency and traffic engineering but it hasn't really moved out into the access layers primarily for two reasons.

One is it typically makes the equipment more expensive which we've done away with. We have a business that's very cost effective and it is absolutely priced for this part of the market. And the second is it's too complicated to manage.

But we believe that MPLS should be complicated for us to develop but not for our customers to manage. And for that reason, we solved that problem with our service activation director. And that essentially -- what that essentially is is a layer of management software that sits on top of this end-to-end access solution and abstracts away all of the complexity.

That gives you the benefit of MPLS technology, the resiliency, the traffic engineering, without the complexity. It allows you to do end-to-end service provisioning, element management, topology views and so forth to really simplify the experience of this end-to-end solution.

The last area that I want to touch on is that of the data center, and this is really another very interesting area for us. SDN, as Bob mentioned, is all about introducing agility into the networks to keep pace with the rate of change that the computing world is moving.

Now, we recognize these trends early when we introduced fabric technology, like the QFabric, a while back. And as we mentioned in our earnings call in the second half of last year, we really felt that the adoption for QFabric has started to go up by more and more customers because they recognize the value, and because we've introduced a new version of our QFabric which is the micro-fabric that really addresses a sweet spot in the market.

THOMSON REUTERS

Now, we won't stop there. What we're doing is we wrap a layer of API that provides you with the touch-point, the visibility and the controllability into our platforms. There are many examples of these APIs and we don't -- we're not going to go after all of them but we will focus on a few that we think will unlock the opportunity of virtualization.

VGP OpenFlow and some of the VMware APIs are three very important ones for us. And these APIs essentially act as the glue that stitches together our underlying platform to our overlay software solutions. And those software -- that software which is really around orchestration and automation can come from internally developed software such as that that comes from our Contrail acquisition or from partners like VMware and OpenStack.

And the goal here really fundamentally is to develop solutions. We want the software to work great on our platform and we want our platforms to work great with our software.

So with that said, quick summary. We are not confused about the fact that innovation in this area depends on our ability to really move the needle in our silicon technology and our systems and in our software. All three are fundamental to creating the types of traffic, capacity increases and services increases that our customers need.

And last but not the least, I think we're well-positioned in the Edge and core with our portfolio products today. I think that we have an ability to really grow and expand our Universal Edge leadership position into the access layer. This is a net new market for us. And finally, I do believe that we've got some great building blocks both on this -- on the platform side and the software side to build a truly compelling virtualized data center solution.

I think at this point, I'm going to invite Bob and Kevin back up on stage to take any Q&A. Thank you very much.

QUESTIONS AND ANSWERS

Unidentified Company Representative

Thank you. Mark, there's a microphone up here.

Unidentified Audience Member

Thank you. Gentlemen as we look at the platform approach and also the software over time, can you talk about the requirements for R&D and how the financial model will change for Juniper over the longer term considering that we now have a set course, we have a lot of investments already made? We've now -- we are going to get the R&D efficiency.

Are we allowed to now slow down the pace of that R&D spending across multiple platforms to get some leverage there? Just some thoughts about R&D velocity going forward.

Unidentified Company Representative

Yes.

Kevin Johnson - *Juniper Networks, Inc. - CEO*

Yes, I'll talk about, just in general, the -- and then I'll let these guys talk about sort of their views on how they're allocating R&D across the systems and the software divisions and the projects they're driving.

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In the June analyst meeting, we outlined the financial framework and sort of the OpEx envelope and the percent of revenue that we would look to target towards sales and marketing, R&D and G&A.

The restructuring work that we did in Q3 has really enabled us to do three things. Number one is to be much more focused on the key priorities that we had. It was a good time to do it as we had shifted and released this wave of new products.

And with the -- with the work that we're doing in sharpening the strategy and the set of roadmap priorities that we had going forward, it allowed us to get more focus, it allowed us to also combine different organizations and have fewer business here.

We got to the point where frankly we had created too many moving parts in the organization which was hurting us from an agility standpoint. Some of the different businesses were building, working on technology that has similarities. It wasn't exactly the same but there was enough overlap that it called into question how efficient we were being with those projects. And so, in addition to the focus, the agility, it allowed us to get the cost structure more in alignment with our revenue.

And that said, I think the work that we've done in both the systems division and software division on the roadmap going forward and specifically SDN, this architecture that Bob outlined and that Rami talked about enabling in the underlying platform, actually in my view, makes this more efficient with the R&D.

The ability to build services that can run that same service running on an x86 processor or whether it's a line card in the router or whether it's on the server tethered to the router or whether it's on the server in the cloud somewhere, instead of having to build that service multiple times for different types of platforms, we build it once on x86 and we build in a way that, in many ways, is a much more efficient way to develop software.

And so, you know, with that said, I'll point you to the financial model that we outlined at the June analyst meeting, the restructuring work that we did, and then I'll ask Bob and Rami to comment then on how they see that unfolding within their division.

Rami Rahim - *Juniper Networks, Inc. - EVP -- Platform Systems Division*

No, I'd say, first of all, the culture of Juniper is such that there is no shortage of ideas. And so, you know, you could spend infinite amounts of money in just innovating on new product. Of course, the key here is to focus on a few market areas and technology areas and do the best job in building the best products for those market areas.

In terms of efficiency, there are a few things that Juniper has done towards the years ahead, really helped us. One is the common operating system, Junos, that worked across pretty much all or the majority of our products that enabled us to leverage technologies and features, and so forth, between products. That has helped us tremendously.

And maybe a little bit less known than that is the silicon technology. We developed our silicon building blocks in such a way that they provide us with a lot of flexibility in these types of systems that they can address.

We take for example -- our trio processor allows us to address a range of MX platform capacities from 20 gigabits per second to the MX2020 now shipping with 35 terabits per second with a single underlying core processor and one operating system also being used in the T4000 for the core functions.

So, I would say that our ability to leverage those building blocks has absolutely helped us throughout the years and we'll continue to do that as part of our technology strategy.

THOMSON REUTERS

Robert Muglia - *Juniper Networks, Inc. - EVP -- Software Solutions*

Yes, I mean these guys, you know, Kevin gave the overall outline. And the only thing I might add is that, as we move towards SDN and begin to build our software in the form of virtualized systems, we have the ability to attract a whole new set of talent and there's frankly a whole lot of energy inside the company around that in terms of building our software the same way that other organizations build cloud-based systems, and that's just generating a whole round of excitement inside the company and allowing us to go out and attract talent very effectively outside the company including new college grads.

Simon Leopold - *Morgan, Keegan & Co. - Analyst*

Thanks. Simon Leopold. Two questions on routing, one is it seems as if we've come into this year with each of the three primary routing vendors claiming they're going to gain market share which really isn't mathematical -- making too much sense. So, if you could elaborate a little bit on what you said on your last earnings call, I believe you stated pretty clearly you expect to gain share this year, if you could support that thesis a bit.

And then, in terms of the cycle for routing, one of the things that we were trying to figure out is the timing, if we believe that 4G stimulates the need for more routing that the carriers are spending on wireless infrastructure right now. What's the timeframe that that chain reaction should really boost your business?

Rami Rahim - *Juniper Networks, Inc. - EVP -- Platform Systems Division*

Yes. Let me start. So, to direct the first question on routing, I guess the confidence comes primarily from where we are in terms of routing portfolio. I talked a little bit today about the Edge and the core portfolio. You know, the MX and our Universal Edge strategy is definitely one that has worked for us. It's paid off and the growth is just evident.

And, you know, we're not stopping. In this quarter alone, we're boosting the performance with new MX platforms and we're also boosting the services capabilities and these are products that are going to help us maintain that leadership position.

In the core, I would say we'd never had this rich a set of core offerings as a company that allows us to set the architectural agenda based on what our customers want. So if a customer wants a much more, you know, versatile service-rich core, we have the products. If a customer is very cost conscious and wants to build a transport we have the product for that.

So, that -- it really -- that confidence and our ability to take share stems from our portfolio of products and where we are today with respect to that.

On your second question, 4G, I mean that fact is that 4G architecture is an all-IP architecture, and Juniper is a company that has bet its business on the world moving towards IP. And back in the early days, we were betting that the core would move to IP when people were saying maybe it's APN, maybe it's (inaudible). The fact that we were successful has to do with the fact that the industry moved toward the IP technology that we bet on.

And 4G essentially now takes the mobile world towards IP and that's an example of an industry transformation that works in our -- in our favor, and how we captured that opportunity is a number of ways.

First is, as things move to IP and there are IP addresses that are delivered everywhere, vulnerability and threat becomes very real so our security products become absolutely mandatory for securing user's infrastructures, data centers and so forth. The second is, in the EPC, again, all moving to IP and we've got the opportunity there with our MobileNext product.

And the third, somewhat more recent for us is in the backhaul. Again here, backhaul is almost a misnomer now in the 4G world because it's not just about moving (inaudible) back, it's actually about extending the intelligence of IP all the way out to the base station and that's just something that Juniper knows how to do very well because of the technology best that we've made.

Unidentified Audience Member

I have a couple of questions, maybe one for you, Bob. Just trying to understand the dynamics and the security market, you talked about better positioned in service provider versus the data center, enterprise. Still not clear to me exactly why you're better positioned in service provider versus the other two as a legacy issue, is it just -- I don't know customer requirements? So maybe you can just drill on that.

And then maybe one for Rami, you just mentioned EPC, can you give us some sense of maybe market momentum with EPC either in terms of the customer wins --

Robert Muglia - *Juniper Networks, Inc. - EVP -- Software Solutions*

Yes.

Unidentified Audience Member

-- or what not?

Robert Muglia - *Juniper Networks, Inc. - EVP -- Software Solutions*

Yes, I can probably kick both of those because EPC is in my area. So, on the -- that -- and the question about security, you know, I think our historical focus on service providers, the relationships we have with customers combined with the characteristic of the SRX has put us in a very strong position there.

When we -- when we executed on a transition from our NetScreen product line to the SRX, we built the product that the specifications of the product were largely driven by our service provider customers and the result has been a great deal of success in that marketplace.

At the -- and this (inaudible) performance they need, has the familiarity they need, it has the reliability, the ability and availability they need, all the things that SPs really care about.

In the enterprise space, there are a set of other things that has -- that customers have looked for that we've been somewhat deficient, frankly. One are the ones that we've highlighted very clearly has been manageability, and the ability to manage multiple systems very, very effectively from a centralized management system, and we have a major hole in our SRX portfolio until Q4 of last year which we've now plugged with security director.

And, you know, that is enabling us to have conversations with enterprise customers about our security products that frankly we were unable to have six months or a year ago including conversations we've had at the show with a number of enterprise customers that are here in Barcelona.

There are still things that were missing. I mean, if you look at for example reporting capability, that's still not where we needed to be in the SRX and we're working hard to continue to plug those sorts of gaps. And so, what we find is that as we move forward and add more capabilities, our ability to address a broader part in the enterprise market, it's -- it broadens up with the SRX.

And, you know, what you're seeing in the case of our security business is, you know, strong growth in the SRX overall as the more legacy NetScreen products decline and that's the balance that affects our overall share position.

Now, in terms of the EPC and MobileNext, we built a really world class products there and it's doing very, very well. At the least, there are a number of other places where we're in trials on that and having conversations with customers.

We don't have anything specific to announce but the foundation of what we've done with that EPC product will serve us well in the years to come as the cloud takes on a more stronger role, as mobility continues to be a dominant focus within our service provider customers.

We are really excited about the potential transformative opportunity that's going to exist in the market as the SPs move from the traditional network device space architecture to cloud-based architectures.

And, you know -- and frankly I have been very impressed. Hitachi has a demo in their booth. I mentioned this and as I talked, they have a demo in their booth of their SGNS -- SGSN/MME which is the product that we licensed as a part of our MobileNext product. They have a demo of that running on an x86 server, and just a dramatic, dramatic reduction in cost for the customers.

And the interest that we're seeing from the SPs that go through there is very, very high because they see this is the future of how they want to deploy their mobile networks. And so, you know, while we have not generated a ton of sales on MobileNext, we built a great product with a great foundation that we expect to be able to monetize both on the existing environment, but then perhaps more importantly in the cloud-based environment.

George Notter - *Jefferies & Co. - Managing Director, Analyst*

Hi, thanks. George Notter of Jefferies. So, I wanted to ask about the PTX platform. You guys didn't say too much about it here in the -- in the monologue. Can you just -- in your travels and talking with customers, can you talk about what the appetite is for a separate MPLS switching layer in the network? And then also just kind of give us an update in terms of traction, and in particular, I'd really be curious to know more about, you know, any success you guys are having getting the PTX and the Cisco-based routing networks.

Rami Rahim - *Juniper Networks, Inc. - EVP -- Platform Systems Division*

Yes.

George Notter - *Jefferies & Co. - Managing Director, Analyst*

Sir.

Rami Rahim - *Juniper Networks, Inc. - EVP -- Platform Systems Division*

So that -- I'd say that the interest in the PTX has been very good. I'm actually very satisfied with the update considering the fact that this is in fact a -- somewhat of a disruptive architectural approach that we're taking to our customers.

And, you know, usually, when you're selling something that's an architectural sale, it's going to take a little bit longer. But given that, you consider and you relate this to products that we have introduced into the market in the past. You've seen the adoption and compared them. We're very pleased with where the PTX is today in the -- in the market.

I think it does open up new opportunities for us because it's not just about the traditional IT core layer. It's about introducing a new transport approach. We're going after sort of the legacy OTN, SDH, SONET-type of network that opens up that that opportunity for us with a packet-based approach.

And a packet-based approach makes sense because today 90% of the services that are running over the core are packet-based services or IPTV and, you know, IP Telephony and things of that nature. So that architecturally, it just makes a lot of sense.

THOMSON REUTERS

We have further opportunity to go farther into different networks and consolidated networks and reduce layers and networks with the optical technology that will be -- as we have said, we'd be introducing into that platform overtime and we still have the plan to do that.

Unidentified Audience Member

Hi, over here in the back, just two questions for Rami. So first on the core routing business, which somewhat surprisingly moved down sequentially in the fourth quarter, which was still pretty early in the life cycle for the T4000, can you just give us your view on why that was and what gives you the confidence that that can improve in 2013 especially in the phase of new core router from Alcatel?

And then the second question was on the ACX access platform. It seems that most of the traction there that you've been getting is on the international side and considering there's a very significant opportunity this year or maybe into next year with AT&T in terms of their access expansion, it doesn't seem from our (inaudible) that you're very active in that RSD process and we'll be curious on why or why not.

Rami Rahim - *Juniper Networks, Inc. - EVP -- Platform Systems Division*

Yes. So, let's start with the core. You know, the trends that we saw in the core were -- I would say are not specific to any one of our products. What we saw is that the drivers for Edge in Q4 of last year were just far greater than that for the core. And you have to understand that there are in fact different drivers for each of these two layers of the network.

In the Edge, you know, there's capacity, there's this shared connectivity, different customers and geographic areas and then there's services. All three are drivers for the Edge layer.

The core, it's all of their capacity. And what tends to happen with customers that are building out their network infrastructure is that they will delay core infrastructure spend until they absolutely need to because their networks are running too hot.

And so, you know, what we saw in Q4 is what happens in the industry is sort of a cyclical behavior where spending goes first in one layer, you address the capacity requirements there, you address the various different services requirement and then the bottleneck moves to another layer. I think that's where we are. We saw greater spends in the Edge. At some point, that's going to put the pressure on the core and that will in fact result in the need to invest in the core.

Now, the timing of that is impossible to predict. Different customers are going to have different risk tolerances to how hot they are willing to run their network but it will happen. It needs to happen because eventually if you believe the network traffic is growing, which it is, you are going to run out of capacity. At some point, you are going to need to invest.

On the ACX, you know, we're going after worldwide opportunity because LTE is in fact a worldwide phenomenon. And one thing here is that there are actually fewer operators that are truly interested in just doing a mobile backhaul network. They see a next gen act that's built out as an opportunity to carry all traffic if they need truly universal access.

That, in it of itself coupled with LTE, is a bit of an architectural fail, so there is, you know -- this is -- at the multi-quarter sort of sales qualification activity, given that and given the fact that we just introduced the ACX and we're enhancing the management software quarter-to-quarter, I'm very pleased with the number of designs we've had so far with the ACX sort of around the world.

John Nunziati - *Juniper Networks, Inc. - Senior Director -- IR*

Kevin, I think will take this one, and one more and then we'll wrap it up.

Unidentified Audience Member

My question is around SDN strategy. You talked about running appliances, virtual editions of appliance and its standard servers. Security is an area among services where Juniper does have the strength. You have the virtual firewall like other areas like load balancing, a traditional area where Juniper has not been strong. So, I'm curious how do you address some of the other service --

Robert Muglia - *Juniper Networks, Inc. - EVP -- Software Solutions*

Sure.

Unidentified Audience Member

-- which you have to virtualized? And in SDN service chaining, software router is another piece that was right. So will we see virtual appliances versions of the router as well.

Robert Muglia - *Juniper Networks, Inc. - EVP -- Software Solutions*

Yes, and we've not -- I'm just going to answer the last one. We don't have the specific announcement on that yet but logically, you can expect us to do a software router as a part of it. In fact, when you think about the nature of the service chain being able to direct flows of traffic into different places as well as being able to spread those flows over a number of devices are both really interesting.

When we -- if you look back last summer, we did an announcement with Riverbed where we licensed ADC technology from them and then we also entered into relationship with them on Junos Pulse, which by the way they're making good progress on. There's some announcements associated with that that I believe they're doing and that has been a -- you know, that's been a good relationship for us. We do expect to bring ADC products to market. We don't have any specific timeframes in which we've announced those coming out but that's something we're actively working on.

So, you will see us expand into other services. You know, you mentioned security. There -- that is an interesting area where we have a number of products like Firefly that will be available shortly in Q2. And we have -- we've, you know -- we just recently licensed the DDoS -- we just acquired the DDoS technology so that was very opportunistic acquisition we did to bring new services out.

You know, you'll also see us take the layer two and layer three services that we have on our MX platform within there and also begin to bring those out as virtualized services as well. So it's pretty broad set of things.

Rod Hall - *JPMorgan - Analyst*

Hi, guys. It's Rod Hall with JPMorgan. I just got one question but it's for each of you which is I guess you guys have all been meeting carriers now for a couple of days. And I wondered if, you know, last year we came into this conference, we're all excited about carriers (inaudible) and then we found out things aren't going so well. So I wonder if you could characterize the color of those conversations the tone of them that each of you had and kind of help us understand. We're curious where your heads are right now. Thanks.

Kevin Johnson - *Juniper Networks, Inc. - CEO*

I'll kick it off and I'll let these guys comment as well. You know, I got the -- you know, as you pointed out 2012, if you look at the total addressable market for routing it as down about 3 percentage points year-on-year and that, you know, as looking at the informatics data as a source for that, the fact is in that period though internet traffic did not slow down and Rami pointed that out.

THOMSON REUTERS

Internet traffic continues to double every, you know, 18 to 24 months on the wireless side it's doubling even faster. So the net effect of that is that networks are running hotter. And, you know, we commented on that in our Q4, we had a service provider customer events in Q4 where we had a lot of the CTOs from our large service providers and in that dialogue is clear when they look at their networks they're running hotter.

So the trend you see is a number of announcements where customers are either going through modernization or building out more capacity in this networks and I think in the dialogue that we've had here at Mobile World Congress that we just reinforce that to be a true statement and, you know, it's reflective of the number of customer project wins that we have an the work that where the discussions we're having with customers in a lot of ways now are status discussions around the projects and how the roll out plans are progressing.

So, you know, I would say, you know, that the tone continues to be one of, you know, of a better demand perspective with service providers today that was a year ago. No questions about that. That would be my summary.

Rami, you and Bob can add to that.

Rami Rahim - *Juniper Networks, Inc. - EVP -- Platform Systems Division*

Yes, sure. I guess there are -- there are aw couple of themes that are coming up I would say in a lot of the discussions that we're having with our customers. I think this is chopping in and out, I apologize. I hope you can hear me.

One is there's the -- everybody's theme universally entrusted and accelerate the pace of service innovations there in a network and I think that ties very nicely to the SDN strategies that Bob outlined.

The other one is just that have converge its customers want to simplify their networks and one of the easiest way for them to simplify their network is to run fewer networks that can be virtualized and essentially offer any nullification.

We see that in the core with for example how Verizon is leveraging the TTX to consolidate multiple networks together we see it in the Edge with the Universal Edge we see it also I think coming in the access with the move towards LTE and the ability now to convert multiple services onto a common access infrastructure. That seems to come up in universally, almost universally in many of the conversations we have with our customers and of course we view that is just an opportunity for us to push our technology agenda and our product level problems.

Robert Muglia - *Juniper Networks, Inc. - EVP -- Software Solutions*

Yes, two comments to add to that. One thing that we've seen this year is the several service providers come out and make public statements about their plans to increase capital spending. We saw that with AT&T not that long ago and we saw it with DT; two examples for companies that done that.

The second thing really just added to what Rami said is that when we look at the service providers have, you know, the not OpEx they wind of spending around managing their network is very high. They managed the network of an independent device, so anything we can do in step one of the SDN roadmap of getting centralized management with things like the services activation directors, a really big thing for them.

It really helps them to lower their cost and allows them to be much more flexible. And then really reinforcing what Rami said, their -- our SP customers are looking to introduce new services at a different velocity than they're able to introduce them today.

If you look at the challenge, I mean the reason why they're challenged is basically when we deliver a service today embedded in a network device it's embedded in a very large piece of code in Junos and they have to validate that nothing has gone wrong with that device before they can deploy to their network

THOMSON REUTERS

You know, we can take services and through technology like the Junos V App Engine allow the services to innovate the different layer in the stack. It allows them to keep their network equipment in place and bring in new services that really address their customer needs much more quickly and that's what they're very excited about doing.

And we've seen a different level of excitement associated with this. One of the interesting things that we kept looking at is, you know, real customers will (inaudible) the customers go with the software-based business model because traditionally all they bought were systems and the feedback we get from customer after customers, they're ready for this. I think it's the transition to SDN that is really driving that opportunity.

Kevin Johnson *- Juniper Networks, Inc. - CEO*

Great. We'll take this opportunity to say thank you and we appreciate your time and your questions and thanks for joining us today.