

FINAL TRANSCRIPT

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JNPR - Q3 2010 Juniper Networks Earnings Conference Call

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PRESENTATION

Operator

Greetings and welcome to the Juniper Networks third quarter 2010 earnings results conference call. At this time all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation.

(Operator Instructions).

As a reminder, this conference is being recorded.



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It is now my pleasure to introduce your host, Kathleen Bela, Vice President Investor Relations for Juniper Networks. Thank you. You may begin

Kathleen Bela - Juniper Networks - VP- IR

Thank you, Joe. Good afternoon and thank you for joining us today. Here today are Kevin Johnson, Chief Executive Officer, and Robyn Denholm, Chief Financial Officer. A couple of housekeeping items before we begin. First is a reminder, there is a slide deck that accompanies today's conference call. To access the slides, please go to the IR section of our website at www.juniper.net. This call will also be available to download as a pod cast. For details, visit our website.

With that I would like to remind everyone that statements made during this call concerning 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 in the networking industry, changes in overall technology spending, the network capacity requirements of service providers, the timing of orders and shipments, manufacturing and supply chain constraints, variation in the mix of products sold, customer perception and acceptance of our products, litigation and other factors listed in our most recent report on Form 10-Q filed with the SEC.

All statements made during this call are made only as of today. Juniper undertakes no obligation to update the information in this conference call, in the event facts or circumstances subsequently change after the date of this call.

In discussing the financial results today, Robyn will first present results on a GAAP basis and, for purposes of today's discussion, we will also review non-GAAP results. For important commentary on why the Management team considers non-GAAP information a useful view of the Company's financial results, please consult our 8-K filed with the SEC today. For the detailed reconciliation between GAAP and non-GAAP results, please see today's press release. In general, non-GAAP results exclude certain nonrecurring charges, amortization of purchased intangibles, other acquisition-related charges and expenses related to stock-based compensation.

In today's call, Robyn will also be providing forward-looking guidance. As a reminder, guidance is provided on a non-GAAP basis, with the exception of revenue and share count. All guidance is forward-looking and actual results may vary for the reasons I noted earlier. GAAP guidance measures are not available on a forward-looking basis, due to the high variability and low visibility with respect to certain charges, which are excluded from the non-GAAP guidance estimate. Please note that today's call is scheduled to last for one hour and please limit your questions to one per firm. With that, I will turn the call over to Kevin.

Kevin Johnson - Juniper Networks - CEO

Thank you, Kathleen. Welcome, everyone. Juniper delivered another quarter with greater than 20% year-on-year growth. We ended the quarter with record revenue of just over \$1 billion, exceptionally strong bookings and substantial growth in backlog. Frankly, because of the robust overall demand environment and the strength in bookings, we could have done better from a revenue perspective. The third quarter is typically one in which orders come in very late in the quarter and this was certainly the case. In addition, our latest MX 3D offering ramped faster than expected this quarter, and it took us longer than it should have to adequately support the supply requirements in light of the order mix. Robyn will add some insights on the order linearity and how the December quarter is shaping up, in a few moments.

From a macroeconomic perspective, we have been consistent in our view that while we see a recovery under way, the pace and trajectory of the recovery is likely to vary by geography. Our view has not changed. Over the past few months, there have been a level of uncertainty about the strength of the economy, given certain economic indicators. We continue to expect that the economic recovery will be slow. The near-term signals we're getting from economic data, whether it is GDP growth, consumer spending, manufacturing data, or job growth, all support a view that there will be bumps along the way. And while we won't



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be immune to all of them, we are highly confident in our strategy and our ability to strengthen our position in an industry with solid long-term fundamentals.

From a customer segment perspective, I'm very encouraged by the conversations I'm having with our large service provider customers. It is clear that their visibility and their confidence are high, as they move toward the end of the year and that's reflected in our outlook. As I've said a number of times recently, history shows that US service providers typically spend over half their CapEx budgets in the second half of the calendar year. We expect that to be the case again in 2010 and we have significant opportunities in each of the markets we address.

As I've noted on past calls, we continue to make net new inroads in many of our traditional service provider markets and continue to increase our relevance by expanding our total presence within their networks. Outside the US, service provider customers are also increasing investment as they build out their current and next generation networks.

We are very pleased to have been awarded a significant contract with China Mobile to supply our T-series core routers for their IP network. This was a major win for us during the quarter and underscores our strong market position within core routing. Also in Q3, we shipped the industry's first 100 gig Ethernet interfaces that are IP MPLS capable.

Our Enterprise business continues to grow. Our focus on solutions for the virtualized data center is paying off with more design wins. Our Enterprise business grew year-on-year in all three theaters. Our US Federal business, which is typically strong in Q3, saw some business move into the fourth quarter, due to the passage of a budget continuation measure by the US Congress.

Alliances are key -- a key element of our growth strategy. Strong alliances enable us to extend our reach, increase our market velocity, enable new solutions for our customers. We recently announced that we entered into an agreement with Dell and I'm pleased to note that this new alliance is off to a good start. We continue to grow our relationship with IBM and other key alliance partners, including Nokia Siemens Networks and Erickson. Our emphasis on developing joint technology solutions, as well as integrated marketing programs, speak to the commitment we make to the success of both our alliance partners and our customers.

Juniper, as well, is executing well against the operating principles we laid out at the beginning of the year. We continue to drive an innovation agenda, and we have been disciplined and focused in our R&D investments. Our vision for the new network is centered on two significant market trends, mobile internet and cloud computing.

Let's start with the discussion on our focus on mobile internet. Last October, we announced the MX 3D Edge platform, and we continue to see increased service provider demand for this platform. Project Falcon continues to hit its milestones and we expect to have our initial evolve packet core solution in customer trial by the end of this year. As a reminder, Project Falcon addresses the evolved packet core with software designed to run on the JUNOS based MX 3D Edge platform.

Our Traffic Direct solution, which was released in Q2, also runs on the JUNOS based MX 3D Edge platform. With the explosion of smartphones and tablet devices connected to the internet, the MX 3D and Project Falcon are addressing a key aspect of scaling the wireless networks in support of the mobile internet.

Security is also a critical element of the mobile internet. Our mobile secure solution, built on the JUNOS based SRX product line is finding strong customer adoption globally. We've extended our security focus with Junos Pulse and the recent acquisition of SMobile. In addition to secure access for corporate data, Junos Pulse now offers anti-virus, anti-malware, parental controls and device policy, in support of securing the mobile internet. We have an event planned for later this month with additional information related to this offering.

With regards to the opportunity we see in cloud computing, we announced our architectural approach to data centers of the future with our 321 architecture. We continue to focus on data center design wins with our E X product line and the Stratus



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Project continues to hit milestones toward providing a single tier data center fabric solution in 2011. The Stratus Project is entering a critical testing and early customer adoption phase this quarter.

In support of our solutions for mobile internet and cloud computing, we are beginning to add key sales and marketing resources ahead of several planned launches in 2011. With the growing strength of our product portfolio we are investing with a disciplined approach in the specialty sales forces that drive design wins and revenue. Strategically, we are making progress expanding the portfolio of products and solutions aligned with the mobile internet and cloud computing trends. Operationally, we continue to execute the principles we outlined at the beginning of the year.

We are positioned for 2010 top line growth in excess of 20%. On a full year basis, we have managed our OpEx to grow slower than revenue, and we have taken immediate actions to improve order linearity during the quarter, as well as ensuring we are fully prepared for the strong demand we see for our new products. The pace and trajectory of the economy will continue to vary, as this economic recovery unfolds. We do see a strong Q4 ahead, and we are positioning for the opportunities we see in 2011. Now, I'll turn it over to Robyn to discuss our financial results and our outlook for the quarter. Robyn?

Robyn Denholm - Juniper Networks - CFO

Thank you, Kevin and good afternoon, everyone. As Kevin noted, the underlying fundamentals of the business are strong. I am pleased that we executed to our operating principles and exited the quarter with strong momentum. Demand for our products remained high and revenue in EPS came within our -- our guidance range. Given the strong bookings in the quarter, revenue could have been higher. Revenue for the quarter was impacted by demand for MX 3D exceeding our internal supply forecast, and as a result, not all orders were able to be fulfilled during the quarter. In addition, many orders came in late in the quarter, as it typical for Q3, reducing our ability to obtain more supply. We've already increased our ongoing supply forecast.

We exited the quarter with a set of robust demand metrics. Book-to-bill was well in excess of one. Product backlog at the end of Q3 stood at approximately \$325 million, up significantly from \$260 million in the prior quarter. We also ended the quarter with a strong deferred revenue balance.

Now, a review of the numbers. As a reminder, all results include the SMobile acquisition, which closed on July 30, 2010. On a GAAP basis, total revenue for the third quarter was a record \$1.012 billion, up 3% sequentially and 23% year-over-year. GAAP diluted earnings per share were \$0.25 for the third quarter, compared to \$0.24 for the second quarter of 2010, and \$0.16 per share in the prior year third quarter. Non-GAAP earnings per diluted share were \$0.32, an increase of \$0.02 sequentially and \$0.09, compared to the prior year third quarter. This includes OpEx related to both the Ankeena and SMobile acquisitions of slightly less than \$0.01 per share.

Now, let me provide you with some color on revenue by region, business segment and market. We've been consistent in our view that the macroeconomic environment will continue to strengthen throughout the year and that the pace and trajectory of recovery will vary by geography. In Q3, we continue to see some of this variation in global recovery play out.

Looking at our revenue by region, for the quarter, Americas was approximately 53% of total revenue, EMEA was 27% and APAC was 20%. America's revenues saw good growth and increased 8% sequentially and 26% year-over-year. This growth was driven by content, cable and regional service providers in the US. EMEA revenue was down 5% sequentially and up 13% year-over-year. We saw sequential declines in Eastern Europe and the Middle East, while Western Europe, especially the UK, Netherlands and France, were stronger. APAC revenue increased 5% sequentially and 29% on a year-over-year basis with sequential growth driven by China, South Korea and Australia.

From a pipeline perspective, we had design wins across our entire product portfolio and all three geographies. On a segment basis, total IPG revenue was \$744 million, up 3% sequentially and 25% year-over-year. Total EX revenue was a record \$102 million, up 10% sequentially and up over 100% year-over-year. This includes product revenue of \$97 million and highlights our



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continued momentum in the Enterprise switching market. Our new 10 gig EX 4500 switch, which began shipping in Q2, is gaining excellent traction with data center and campus customers.

MX had another record quarter, with total product revenue of \$176 million, up 18% sequentially and 73% year-over-year. The MX 3D saw an exceptionally strong ramp in demand, with \$87 million of orders and \$63 million of revenue. We are pleased with the ramp of MX 3D platform.

During the quarter, we also had significant design wins with our T-series core products at several large service providers, including China Mobile. Traffic Direct, our first offering from Project Falcon, recorded another key win, this time at a major European service provider. SLT delivered record revenue of \$268 million, up 4% sequentially and 17% year-over-year. SRX product revenue grew 13% sequentially to \$84 million. We saw good mobile security wins in many large wireless carriers in the US, EMEA and Apac. In addition, we are seeing good customer engagement for products from the SMobile acquisition, as part of our Junos Pulse offering. Overall, we continue to deliver great innovation to our customers, as evidenced by the success of E X, MX and SRX product families. This quarter, the three product families generated a record combined product revenue of \$357 million, up 15% sequentially and 96% year-over-year.

Looking more closely at the markets we address, service provider revenue was up 2% sequentially and 21% year-over-year. This was due to solid growth in edge routing and high-end firewall products. We are pleased with the continued momentum we are seeing in our content and cable service providers, as well as new design wins with several social network customers.

Enterprise revenue was up 6% sequentially and 26% year-over-year. This growth was driven primarily by a continued penetration in Enterprise switching and branch firewall products. The third quarter is typically a strong one for our US federal region. This year, however, as a result of the Congress continuing resolution late in the quarter, some anticipated business shifted into Q4. From a pipeline perspective, during the quarter, we had key data center design wins in government, retail and financial services.

Consistent with Q2, service provider was 63% and Enterprise was 37% of total revenue. On a non-GAAP basis, total gross margins for the quarter was 67.5% of revenue, which is at the high end of our long-term model range of 66% to 68%. Product gross margins were 69.5% of revenue, down slightly from 70.2% in the prior quarter, mainly due to product mix. Services gross margin was 60.1% of revenue, up slightly from 59.3% in the second quarter of 2010.

Moving onto our operating expenses, the Q3 non-GAAP operating expenses totaled \$439 million, or 43.4% of revenue. Relative to the second quarter, operating expenses increased by \$8 million but decreased as a percentage of revenue. Year-over-year operating expenses were up \$62 million, or 16%, due to an increase in variable compensation and investments in new product development, acquisitions and expanding route to market. As a percent of revenue, however, operating expenses are down significantly from 45.8% for Q3 of last year.

R&D expenses were \$212 million, or 20.9% of revenue, up \$6 million, compared to the second quarter. Sales and marketing expenses totaled \$191 million, or 18.9% of revenue, a \$4 million increase sequentially. G&A expenses totaled \$36 million, or 3.6% of revenue, down \$2 million from the prior quarter. non-GAAP operating margins for the quarter was 24.1%, up 20 basis points sequentially. We continue to execute against our operating principle of managing expenses carefully, while focusing our investments in key strategic growth areas, and I am confident of reaching our long-term operating margin goal of 25% or higher on a sustained basis.

Looking at operating margins by segment, IPG operating margin was 24.2% compared to 25.2% in the second quarter. As a reminder, our investments in both EX and Project Stratus and Falcon are included within the IPG segment. SLT operating margin was another record at 24.1%, compared to 20.4% in the second quarter. This reflects a continued focus by the team to execute efficiently on the R&D road map and aligning sales and marketing resources to drive revenue growth.

Turning to the bottom line, Juniper posted non-GAAP net income of \$172 million for the quarter, up 5% sequentially and up 40% year-over-year. The GAAP tax rate for the quarter was 31.4%, the non-GAAP tax rate for the quarter was 30%.



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Looking at the balance sheet, we ended the third quarter with approximately \$2.7 billion in total cash and investments, which was down slightly quarter-over-quarter. But, as a reminder, during the quarter we paid \$69 million of net cash in connection with the SMobile acquisition. DSO was 42 days in the third quarter, compared to 36 in the second quarter, well within our range of 35 to 45 days. This increase was due to the timing of shipments. And, in addition, cash flow from operations was \$131 million, down \$90 million from the prior quarter, as a result of timing of cash receipts relative to the accounts receivable balance.

During the quarter, we repurchased approximately five million shares at an average price of \$26.81 per share, or approximately \$135 million. Our weighted average shares outstanding for the third quarter were 535 million shares on a diluted non-GAAP basis, down four million shares from the prior quarter. CapEx totaled \$54 million, up \$9 million from the prior quarter, due primarily to investments in R&D lab equipment. Depreciation and amortization, consistent with prior quarters, was approximately \$40 million. Total deferred revenue was \$785 million, sequentially product deferred revenue was up 9% or \$21 million. For Q3, both the channel inventory and future feature portions of product deferred revenue were up from the prior quarter. Typical for the third quarter, services deferred revenue decreased marginally by 1% or \$4 million.

We ended the quarter with head count of 8,104 employees, an increase of 372 from the second quarter. This increase was due to investments in R&D, sales and marketing and customer service head count. Included in total head count are approximately 27 new employees from the SMobile acquisition.

Now, let's turn to our guidance. As a reminder, guidance is provided on a non-GAAP basis, except for revenue and share count. We continue to focus on executing against our operating principles, and we are well on track to achieving 20% or higher revenue growth in 2010. And, therefore, with Q4, we're expecting revenues of \$1.120 billion plus or minus \$20 million. Gross margins for the fourth quarter are expected to be in the range of between 66% and 68%. We expect operating expenses to be slightly lower as a percentage of revenue and increase on a dollar basis. Operating margins for the fourth quarter are expected to range between 24.5% plus or minus half a point. This would result in fourth quarter non-GAAP EPS of between \$0.35 and \$0.37 and assumes a flat share count, a tax rate of 30% and includes \$0.01 of OpEx from our recent acquisitions.

In summary, our demand indicators are strong, our product portfolio is robust, and we are focused on executing against the market opportunity ahead of us. I want to thank our employees for their continued dedication to innovation and our growth agenda, and, with that, I'll hand it over to the Operator for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We are now be conducting a question-and-answer session.

(Operator Instructions).

Our first question is from Simona Jankowski with Goldman Sachs. Please go ahead with your question.

Simona Jankowski - Goldman Sachs - Analyst

Hi, thank you so much. Just wanted to ask you first about the end of the quarter. It sounded like you saw some increased business at the end there, in particular for the MXc3D. Can you just give us a little bit more sense of what kind of customers were asking for that increased business? And, also, I think you made the comment that it's typical for the third quarter to be back end loaded. However, when I look back in the last three years, DSOs were actually flat to down in each one of those years and this year, it's up significantly. So, would just appreciate a little bit more color on the linearity and kind of what were the various puts and takes there?



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Robyn Denholm - Juniper Networks - CFO

Okay, thank you, Simona. In terms of the end of the quarter, we do view Q3 as a back end loaded quarter. From a DSO perspective, let me handle that part of the question first. It's really day 45 or before in terms of -- or week nine and before in terms of DSO that gives us an opportunity to collect it. This obviously-- the surge in shipments actually happened after that point, which actually resulted in an increase in the DSOs.

Let me talk about MX 3D for a minute. So, if you look at our overall MX revenue, it was strong in the quarter, \$176 million, up from about \$145 million, an 18% quarter-over-quarter increase in revenue. What we saw during the quarter was very good strength in the ramp of MX 3D as a proportion of the total. We were expecting a big quarter in MX, in total, but we saw an increasing proportion of MX 3D orders, as a total of the MX orders that were coming in. And, that actually accelerated in the last three to four weeks of the quarter.

So-- and, so, the type of customers are quite broad. We actually saw demand across all geographies in the service provider landscape in terms of the MX 3D. We're seeing some very good design wins. We obviously fulfilled quite a number of those in the quarter. So, it's a broad-based increase in the overall level of MX and a -- a higher proportion of MX 3D in the quarter. If you go back, we called out the number last quarter. We -- we called out \$24 million of revenue for MX 3D last quarter of the total \$145 million. This quarter, as I said, we had bookings of \$87 million, so more than three times as much in the quarter and we revenue-- tripled the amount of revenue as we did last quarter.

Simona Jankowski - Goldman Sachs - Analyst

And, in terms of the kind of applications of the MX 3D seeing this surge of activity for, is it ahead of Project Falcon or are there broader applications that this is being purchased for?

Kevin Johnson - Juniper Networks - CEO

Yes, Simona, let me -- let me try and answer that. The MX 3D, as you're aware, is designed with the Trio chipset that allows it to scale on three dimensions. It can scale on traffic volumes, it can scale on number of subscribers or users, and it can scale on the number of services provided. And, as a result, we're finding the MX 3D is a platform that's engaged in a wide number of scenarios. Certainly Traffic Direct and the wins that we've had there, MX 3D is a platform for that. For content distribution networks and what we're doing with the Ankeena acquisition and the media flow offerings, it's a platform for content distribution networks. We're finding customers using it where they're connecting data centers, connecting the clouds with the MX 3D, so there's not one common or one single pattern of scenarios. It's actually getting broad adoption across a wide range of scenarios, which reinforces, I guess, the design point that we had behind the product.

Simona Jankowski - Goldman Sachs - Analyst

Thank you so much, and just a quick follow up on margins for next year. I think you commented, Kevin, you'll be investing quite significantly in sales and marketing to support some of these new product cycles. Should we interpret that as meaning that the increase in OpEx for next year may be in line or even ahead of your revenue growth?

Kevin Johnson - Juniper Networks - CEO

Well, I think the comments I made is that we do want to see -- we want to start feathering up our investment in sales and marketing as a percentage of revenue while, at the same time, feathering down the percent of R&D OpEx as a percent of revenue while maintaining our long-term model. And, I think that's reflective of the fact that R&D has delivered this great set of products and expanded product portfolio and, certainly, as we have Stratus and Falcon hitting the market, along with what we've done



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with Junos Pulse and Junos Space, I feel like it's an appropriate time for us to start feathering up our investment in sales and marketing. But, we're going to balance that on an overall OpEx way by feathering down R&D as a percent of revenue. And, certainly, driving top line revenue growth is what's key to giving us the ability to have Op margin expansion while continuing to make these investments.

Simona Jankowski - *Goldman Sachs - Analyst*

Thanks very much.

Robyn Denholm - *Juniper Networks - CFO*

Thank you, Simona. Next question, please.

Operator

The next question is from Nikos Theodosopoulos with UBS. Please go ahead with your question.

Nikos Theodosopoulos - *UBS - Analyst*

Yes, thank you. Maybe just some quick questions. In looking at the backlog numbers that you provided, and thank you for that information, I was surprised to see that you entered the quarter with a backlog less than where you ended last year, given the very strong bookings last quarter. So, I guess my question there is what -- last quarter there was a comment that book-to-bill was well in excess of one, and, when I look at the starting backlog, it doesn't reflect that, given where you were at the beginning of the year. So, if you can comment on what -- how that puts and takes of the backlog quarter-over-quarter?

Robyn Denholm - *Juniper Networks - CFO*

Yes, so, actually, the backlog was up last quarter to two so--

Nikos Theodosopoulos - *UBS - Analyst*

Yes, but, you said it was \$260 million and at the end of the last year it was \$270 million. So, that's the question I have, why was it down from the end of last year?

Robyn Denholm - *Juniper Networks - CFO*

So, there's Q1 in the middle, so, obviously Q1 the-- we quoted on the call--

Nikos Theodosopoulos - *UBS - Analyst*

But, Q1, you said book-to-bill was marginally -- you said was marginally-- was one or slightly below one and last quarter you said book-to-bill was well in excess of one.



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Robyn Denholm - Juniper Networks - CFO

Yes, so, in Q2 it was well in excess of one, and in Q1 it was marginally below one to one. So, our backlog at the beginning of this quarter was \$260 million and at the end of Q3, we exited the quarter at \$325 million for the quarter, in terms of product backlog. And, so that's a significant increase quarter-over-quarter which is why I gave the actual numbers in the prepared remarks.

Nikos Theodosopoulos - UBS - Analyst

Okay. And, if I look at-- so if -- if the MX 3D orders were about \$13 million above the shipment, can we look at that \$13 million as being what you couldn't supply, based on the supply constraints? And, then, if you could also kind of quantify how much of the government business slipped out, to get a feel for how much was actually shifted into the fourth quarter from the third quarter, both from the MX supply issues and the government orders slipping?

Robyn Denholm - Juniper Networks - CFO

Yes, so, in terms of MX- D, I gave the bookings number of \$87 million for the quarter and the revenue number of \$63 million for the quarter, so, that's an increase in backlog or a backlog amount of \$24 million for MX 3D. So, that was the numbers that I gave in the prepared remarks.

In terms of the overall federal demand, we had a good quarter with federal. We just believe that it would have been stronger had -- had the uncertainty with the government budgets and the continuing resolution happened and, therefore, we expect some increased orders in the fourth quarter as it relates to that. But, overall, that's captured in our guidance range that we gave, in terms of revenue for the fourth quarter.

Nikos Theodosopoulos - UBS - Analyst

Okay. And just real quickly, the deferred revenue impact, do you have that for this quarter or do you not have that yet?

Robyn Denholm - Juniper Networks - CFO

Do you mean the amount for old rules, new rules?

Nikos Theodosopoulos - UBS - Analyst

Yes, the-- just trying to adjust.

Robyn Denholm - Juniper Networks - CFO

Yes, so, on a dollar basis it was roughly flat with Q2 and, therefore, on a percentage basis it was down sequentially.

Nikos Theodosopoulos - UBS - Analyst

Thank you.

Robyn Denholm - Juniper Networks - CFO

Thank you, Nikos. Next question, please.



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Operator

The next question is from Ehud Gelblum with Morgan Stanley. Please go ahead with your question.

Ehud Gelblum - *Morgan Stanley - Analyst*

Hi, thanks, guys. A couple of questions. First, Robyn, you had mention that had gross margin on the product side was down slightly on mix. And, you'd mentioned also that the MX 3D is a higher proportion of your MX. Are those related? Should we look at the fact the MX 3D has a lower gross margin than the MX or was it another mix or is it the other way around?

Robyn Denholm - *Juniper Networks - CFO*

Ehud, so, in terms of MX 3D, we've said it previously that MX 3D because it has [our] silicon in terms of the Trio chipset is actually a higher gross margin, so those two comments are not related.

Ehud Gelblum - *Morgan Stanley - Analyst*

That's what I would have thought, that's what--

Robyn Denholm - *Juniper Networks - CFO*

Yes.

Ehud Gelblum - *Morgan Stanley - Analyst*

Okay, so, your gross margin was actually helped by the higher proportion of 3D?

Robyn Denholm - *Juniper Networks - CFO*

Yes, that's right. And, so, we're very comfortable with our overall product gross margins at that higher end of our gross margin range. And, so, it was only very slight discernible difference, in terms of mix quarter-over-quarter.

Ehud Gelblum - *Morgan Stanley - Analyst*

Okay, so, what was the mix that went the other way that offset that?

Robyn Denholm - *Juniper Networks - CFO*

So, the core revenue in the quarter was just slightly lower.

Ehud Gelblum - *Morgan Stanley - Analyst*

Core as in T-series and M-series?



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Robyn Denholm - Juniper Networks - CFO

Yes, T.

Ehud Gelblum - Morgan Stanley - Analyst

T primarily.

Robyn Denholm - Juniper Networks - CFO

Yes.

Ehud Gelblum - Morgan Stanley - Analyst

Okay. Now, you-- it sounds like you had greater MX 3D shipments than you had thought. Should we look at-- presuming that you were originally aiming for some number closer to the mid-point of your range and the MX 3D ended up having stronger orders, was the -- was the entire fall off the \$8 million or so fall off, versus where you would have been, was that due just to having MX versus-- MX 3D versus MX, or was there something else that possibly was weaker that brought you down there? Because, it sounds like you maxed out shipping as much MX 3D as you thought you would, and then you still ended up, let's call it \$8 million shy of the mid-point of your guidance range. So, I'm trying to understand what was the shortfall of that? Was that fewer MX that was just replaced with MX 3D prematurely or was it something else that ended up being a little bit weaker?

Robyn Denholm - Juniper Networks - CFO

Yes, I think, in terms of the strength of the overall MX sales in the quarter, or revenue in the quarter, we were anticipating a significant increase in total MX. I think that, in terms of revenue for last quarter, it was \$24 million, so, as you can see, we more than tripled the -- the shipments in the quarter and, yes, we could have shipped more of that if we actually had supply of the components or had we forecasted for the quarter, we could have actually shipped more, and that's why I gave you the bookings number of \$87 million. Now, whether we could have shipped all of that or not, that's another point. But, I do think giving you the delta of \$24 million is what we could have -- got us closer to the high end of guidance.

Ehud Gelblum - Morgan Stanley - Analyst

What was the orders for MX in total?

Robyn Denholm - Juniper Networks - CFO

\$87 million.

Ehud Gelblum - Morgan Stanley - Analyst

That was the MX 3D, what about the MX in total?

Robyn Denholm - Juniper Networks - CFO

I didn't give you the MX in total. I gave you revenue for MX and total was \$176 million.



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Ehud Gelblum - Morgan Stanley - Analyst

I'm wondering, there was a \$24 million delta in the MX 3D, I'm wondering what it was for the entire MX in total. So, what is the normal amount that you normally push into the next quarter as opposed to being able to ship?

Robyn Denholm - Juniper Networks - CFO

Well, in any one quarter we have some backlog and I gave you the opening and the closing. I think the significant part is that we increased backlog significantly quarter-over-quarter, which is why I gave you the two -- the two data points there. So, in any one quarter, you might have a small fluctuation in the backlog but this is-- was a significant increase.

Ehud Gelblum - Morgan Stanley - Analyst

Okay. Great. And, finally, just any explanation on what's going on in Europe, specifically I know that in Eastern Europe and Middle East -- ?

Robyn Denholm - Juniper Networks - CFO

Yes, as we said in terms of the prepared remarks, Europe was specific to a large deal that we had last quarter in Eastern Europe, and I called it out last quarter. Obviously, that did not replace itself in Q3, so, that was part of the reason for the sequential decline. And the other was Middle East, where we actually had some -- some chunky business in Middle East last quarter, as well. So, overall, it was down 5%. We did see strength in the UK, Netherlands and France, in terms of the business there. And, I think it is fair to say that Europe overall is slightly lagging the rest of the world, in terms of -- of a recovery, but we are seeing good design wins and, as I said, good business in the UK, France and the Netherlands in the Q3 period. And, last quarter, we did see good wins in Eastern Europe and the Middle East.

Ehud Gelblum - Morgan Stanley - Analyst

Excellent.

Robyn Denholm - Juniper Networks - CFO

Thank you, Ehud. Next question, please.

Operator

The next question is from Tal Liani with Bank of America Merrill Lynch. Please go ahead with your question.

Tal Liani - BofA Merrill Lynch - Analyst

Hi, I have three questions. First, I want to go back to the question about the federal or the government. Did you disclose what was federal this quarter, as a percentage of sales, and what is the deferral that you're expecting for next quarter? Is it net/net -- do you think that federal you're going to recover next quarter what you missed this quarter? So, that's number one.

Number two, the shortfall this quarter seems to come from the service provider segment predominantly. You're not the only one to say it. Sienna and Infinera -- these are all unrelated data points but we can all connect them into a straight line. And, it



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seems like there is general disappointment with service providers spending this quarter. So, I'm trying to understand the environment and if you can relate to the spending environment and maybe timing of projects what came and what didn't come.

And, third point is if you can just relate to the purchase of BLADE Networks by IBM, what's the implications for Stratus, good or bad? Thanks.

Robyn Denholm - Juniper Networks - CFO

So -- so, Tal I'll -- I'll cover the first two bullets and I'll let Kevin talk about the last one. In terms of service provider overall, we were pleased with the 2% sequential increase in -- in the quarter. We're actually, overall, very pleased with the orders in the quarter. As you can imagine, many of the MX 3D, in particular, but other orders in the backlog are actually service provider related. So, if you look at the orders, as well as the increase in demand, the design wins, the discussions with our service provider customers, both in North America and elsewhere, we're -- we're pleased with the momentum that we have in service provider. And for the full year, we've talked about this before, that we -- we believe that the second half of the year is a high proportion, particularly for the North American service provider customers than the first half of the year. And, our experience in Q3 with the orders that we did get and was within the range that we were anticipating, we actually believe we're on track to hit that 52% to 55% in the second half.

Kevin Johnson - Juniper Networks - CEO

Yes, and Tal, on your third question about BLADE Networks and IBM. First of all, I'd comment, BLADE is a partner of ours and IBM is a partner of ours, and IBM was very -- very transparent with us as they went through this in letting us know their intentions behind this. But, clearly, BLADE Networks fills a need that IBM has for their BLADE center technology and what they're doing with BLADE servers. And, the ability to have the BLADE switches that are architected for where IBM is taking their BLADE center servers is a -- is an important element of what IBM is trying to do and we're very supportive of that.

Clearly, our hope is this continues to just strengthen our relationship with IBM, as we continue to work with them on the overall set of solutions that they have for networking. There is a little bit of overlap in -- in the top of rack switch, but I don't see that as being a significant issue. And, I think we continue to have a very constructive open dialog with IBM strategically on where we're going with the technology and the solutions. So, overall, we view this as a positive thing where we have two partners that decided to combine and that we think this continues to strengthen our partnership with IBM.

Robyn Denholm - Juniper Networks - CFO

Thank you, Tal. Next question, please.

Tal Liani - BofA Merrill Lynch - Analyst

Federal.

Robyn Denholm - Juniper Networks - CFO

We just--

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Kevin Johnson - Juniper Networks - CEO

The question on federal, did you take that, Robyn?

Robyn Denholm - Juniper Networks - CFO

So, in terms of federal, I didn't break out the percentage of revenue. We've not done that before, in terms of the percentage of total revenue for federal. We have included the deals that we think have slipped into the fourth quarter within our guidance range.

Kevin Johnson - Juniper Networks - CEO

Yes and we're tracking those, too, Tal. And, some of those we've already closed as just in the first few weeks of this quarter, but the federal team has -- they have the list of things and we've seen -- seen the progress they're making there.

Tal Liani - BofA Merrill Lynch - Analyst

The question I had was more specific in a sense that you missed a quarter by about \$10 million but you guided up about -- about \$15 million above consensus. So, I'm trying to get is it just \$10 million being pushed out to next quarter and that's the delta or can we break it down, the \$15 million next quarter above expectations, is it coming from the carrier's market, as you discussed the late orders or is it coming from federal? So, I'm trying to understand the delta next quarter where it's coming from.

Robyn Denholm - Juniper Networks - CFO

So, in terms of the guidance range, we do -- we do expect an increase in service provider and in Enterprise quarter-over-quarter. Typically, the fourth quarter is a strong service provider quarter, but we also see a good finish to be in Enterprise, so, we actually have incorporated both in our guidance range for the fourth quarter.

Tal Liani - BofA Merrill Lynch - Analyst

Thank you.

Robyn Denholm - Juniper Networks - CFO

Thank you. Next question, Operator.

Operator

The next question is from Simon Leopold with Morgan Keegan. Please go ahead with your question.

Simon Leopold - Morgan, Keegan & Company - Analyst

Thank you. I wanted to touch on two topics. One is if you can give us a status update of the IBM OEM relationship as a whole? I know you've talked in the past about it kind of being a slow ramp. I'm assuming that they're not a 10% contributor to the business yet, but if we could get a status update and your thoughts on -- on when and if they can reach that kind of milestone?



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Kevin Johnson - Juniper Networks - CEO

Yes, I'll -- I'll take that one, Robyn. First of all, let me just comment broadly on our strategic alliance partners. And, our strategic alliance partners, I include in that mix IBM, Dell, Nokia, Siemens Networks and Erickson. And, certainly, NSN and Erickson focus more on the service provider side where IBM and Dell focus more on the Enterprise side, but, all up, that group of partners are basically-- their revenue growth year-on-year is a bit more than double what we've seen in our own revenue growth. So, they're helping drive a larger portion of our revenue for us with our -- our focus on those four strategic partners, and IBM is included in that.

You asked specifically about the OEM relationship. The overall IBM relationship, whether it's reselling Juniper products or selling the IBM branded version of Juniper products, that overall relationship continues to grow year-on-year. The OEM element of that, though, is moving slower. So, the bulk of what IBM is doing is still resell of Juniper product, which is fine with us, obviously. But, I think the key points are that our overall strategic alliances are continuing to help grow and help us drive revenue. Number two, IBM is a key part of that, they are growing as well. And, your specific question on OEM, we're seeing most of the growth with IBM being in traditional reselling versus the OEM version of the product.

Simon Leopold - Morgan, Keegan & Company - Analyst

Okay and the other thing I want to ask about is -- is how you're thinking strategically about let's say the portfolio evolution? So, we understand what you're doing around cloud and packet core, so, then, we ask for more of course. And, I'm just wondering about above layer three when we look at opportunities, whether it's application delivery controllers, WAN optimization, session border control. These seem like logical areas for Juniper to participate, and I'm just wondering how your thinking about that within your strategy?

Kevin Johnson - Juniper Networks - CEO

Yes, I guess the things I would point to certainly our focus on security and what we're doing in the area of security plays a key role in that, and some of that functionality and capability is in the SRX, and -- and then some of the capability we're doing in security is in Junos Pulse. The WAN acceleration technology, we believe that that is also something that technology evolved to be built into -- into the system versus having a separate system. So, the layer four through seven stuff for the most part we view that stuff as being built as software applications that run on Junos on our Junos platforms. And, so, I think you see us evolving strategically in that direction. And, as you point out, certainly, those are logical addressable markets that we can expand into and continue to innovate and broaden the product portfolio and do it in a way that accrues value to the underlying Junos platform.

Simon Leopold - Morgan, Keegan & Company - Analyst

And is that-- are these things that are let's say beyond your vision, but are these areas where you're investing R&D today and looking to expand into those markets? Or are you just acknowledging that logically these are possibilities?

Kevin Johnson - Juniper Networks - CEO

Well, I'm certainly acknowledging that logically these are possibilities. Things like LAN acceleration we've talked about Mark Bauhaus and the team and SLT has talked publicly about what we're doing to evolve that. So, we've been public about the things that we're working on and if there's new -- new things that we announce we'll announce those when we're ready to announce them.



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Simon Leopold - Morgan, Keegan & Company - Analyst

Okay, thank you.

Robyn Denholm - Juniper Networks - CFO

Thanks, Simon. Next question.

Operator

The next question is from Mark Sue with RBC Capital Markets. Please go ahead with your question.

Mark Sue - RBC Capital Markets - Analyst

Thank you. On service providers, are there firm commitments from North American carriers from the fourth quarter aside from the fact it's typically better, so that we don't have to cross our fingers? Sometimes we do get a flush, sometimes we don't. If you could just provide us some insight there.

Robyn Denholm - Juniper Networks - CFO

So, I'll start and then Kevin can add. In terms of the North American providers, we're -- we're very pleased with the Q3 orders and revenues that we -- we received from our Tier 1 US North American service providers. And, it was within our expectation of what or what we anticipated for the quarter. So, if we look at both our backlog and our discussions with our -- our customers, we're confident of the second half revenue and we're also confident, obviously, of the fourth quarter because we know what we have in terms of the third quarter revenue from them, to date. So, as I keep going back to the back half or particularly our North American service providers tends to be a higher percentage of total revenue. And, then, I look at the backlog and I also reflect on the discussions we've had with those customers, we do expect that to pick up in the fourth quarter.

Mark Sue - RBC Capital Markets - Analyst

Okay. And, then, Kevin, maybe how should we think of your new linearity? Is that the new norm going forward? I mean, what's the root cause of customers waiting for the last minute?

Kevin Johnson - Juniper Networks - CEO

Well, that's a good question, Mark. I think it's if you look at the historical patterns over the last four to five years, I mean, that's been in place for at least the last four to five years where I've studied the historical pattern. Certainly in 2009, things got more back end loaded, as customers were being much more thoughtful about which side of the quarterly boundary they wanted to land their capital purchases. And, in 2010, we've seen that smooth out a bit more from 2009, into a more normal pattern. But, I think-- look, I think part of what's just been built in over the last ten years, in terms of how people are making significant capital purchases, they kind of look later in the quarter at what they're going to do and, certainly, that requires us to have good visibility to their plans and good relationships and connections with them. And, just to reinforce Robyn's comments, from my perspective, our engagement with our large US service providers, I think visibility is good.



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Mark Sue - RBC Capital Markets - Analyst

Okay. Thank you.

Robyn Denholm - Juniper Networks - CFO

Thanks, Mark. Next question.

Operator

The next question is from Jeff Kvaal with Barclays. Please go ahead with your question.

Jeff Kvaal - Barclays Capital - Analyst

Yes, thanks very much. Kevin, Robyn, I wanted to address the 20% revenue growth target that you have over a multi-year time frame. I think, obviously, you folks are hitting it this year. At the same time, you're not really dominating that 20% target this year despite the fact it's a bit of a recovery year in spending. So, I'm wondering what you think we have to look forward to in 2010 to keep that revenue growth so impressive? And, then, as a corollary to that, if the fourth quarter is a little better than seasonal because of the push outs from 3Q, should we think that the first quarter is going to be a little below seasonal as a result?

Robyn Denholm - Juniper Networks - CFO

So, let me talk about the multi-year growth agenda. So -- so, as I talked a couple of times and Kevin, obviously, has as well, we are on a multi-year growth agenda of 20% or higher. And, the reasons why we believe that are the innovation that we've brought to market and that we're bringing to market in the core area is that Kevin outlined in his script, actually, today on the mobile internet and also on the data center. And, also with our continued growth in core and edge routing, as well as the switching portfolio. So, we're confident, as we bring these new products to market, we'll continue to see the growth that we've had. And, so, the 20% or higher we talked about in February of this year being a multi-year growth agenda and that's what we're focusing the whole Company on, in terms of the R&D investments that we're making and, also, the positioning of the sales and marketing resources, as we look to capture that near and longer term opportunity.

Kevin Johnson - Juniper Networks - CEO

Yes, I'll -- I'll just add to that, Jeff, I think it-- at the financial analyst meeting, after the first of the year, certainly, we'll have an opportunity to outline the perspective for 2011 and reconfirm strategically where we're going and how that unfolds. But, there's three key points. Number one, we compete in the large addressable market. And, if you take just for example, Ethernet switching and the fact that we surpassed now 2% market share and we just keep driving and taking market share, that's such a large addressable market that for us to continue to grow in that one, gives us plenty of head room for growth.

Number two, we've expanded the product portfolio. And, if you look at going into 2011, with the progress that we've made on our Stratus Project for data center fabric, the progress we're making with Falcon for our mobile packet core. We've got an event later this month around Junos Pulse to share some new announcements and things we're doing there, that expands our opportunities, the work we're doing with Junos Space. And, we've complemented that with some M&A, and Ankeena and how that translates to the media flow solution that we have for content distribution networks. SMobile and how that's being integrated into features of Junos Pulse. So, I think the large addressable market, the expanded product portfolio, and the fact that we're complementing our organic R&D with some of this targeted M&A tuck-ins, I think, those three things, I think, are all key to us



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delivering on this multi-year growth agenda that Robyn outlined. And, we look forward to the financial analyst meeting where we can provide you perspective of 2011 and the operating principles and where we're going.

Jeff Kvaal - *Barclays Capital - Analyst*

Great. And, then, sorry, on the first quarter?

Robyn Denholm - *Juniper Networks - CFO*

So, in terms of the first quarter, we'll talk about that at next quarter's earnings call. But, as Kevin mentioned, we are on a multi-year growth agenda, so, we're -- we're looking at that long-term perspective as well. But, we'll address our Q1 of 2011 specifically on next quarter's call. Thank you, Jeff. Next question, please.

Operator

The next question is from Michael Genovese with Soleil Securities. Please go ahead.

Michael Genovese - *Soleil Securities - Analyst*

Great, thank you. Just a very quick question. Number one, I mean, when you talk about having maybe could have done better in the quarter on the revenue line and that the orders came in late in the quarter and there were supply constraints, is there any element of choice in that as well? I mean, are there close decisions that you make as a Management team whether to recognize revenue or defer it to the next quarter? And would there be reason to potentially show less revenue this quarter to have a higher level of confidence in next quarter?

Robyn Denholm - *Juniper Networks - CFO*

So, I'll -- I'll address that. I'm not sure exactly the question, but from my perspective the-- we -- we get the orders when we get them, we book them and we ship them as we -- we can. So, clearly, what I talked about was Q3 was back end loaded quarter, which is typical of the third quarter, given the holidays and that type of thing. We actually have a customer request date when they actually place the orders with us and we -- we do our darnedest to meet that customer request date. So -- so, the fact that as we proceeded through the quarter, the last months of the quarter, last four to-- three to four weeks of the quarter, we actually saw an increasing proportion of our MX orders come in as MX 3D. That outstripped the supply that we had for the quarter, so, that's -- that's my answer.

The other thing is we -- obviously -- as we've said today and a couple of different areas, we manage the Company overall for the long term. So, we are not looking at the artificial dates of the end of the quarter for -- in terms of how we manage with our customers, actually.

Michael Genovese - *Soleil Securities - Analyst*

Okay, fair enough. And then on the-- it looks like the IPG and the SLT margins are converging. SLT making great progress getting into the mid-20s. IPG obviously was in the high 20s over a year ago, but is it -- is it because of the inclusion of the EX switch in that category that we're now in the mid-20s? And is the long-term goal to kind of have converged operating margins in both major -- major segments or is there a reason that IPG could perhaps reaccelerate to the high 20s?



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Robyn Denholm - Juniper Networks - CFO

Yes, so, in terms of SLT, I'm very pleased with the progress that the team's made. They've -- they've had very good multi-year discipline in terms of driving top line growth, as well as driving the most efficient use of their OpEx as they drive forward, so, they've done a fabulous job. In terms of IPG, we've done a fabulous job with IPG itself. We also -- we also include in there Project Stratus and Falcon which have been in a pretty heavy investment phase. So, the fact that the two operating margins have actually converged is -- is goodness. Because, as I said, we've got our investments in the other infrastructure areas like Stratus and Falcon that we're -- we're doing over this last couple of years.

Michael Genovese - Soleil Securities - Analyst

Okay and then finally --

Robyn Denholm - Juniper Networks - CFO

Thanks, Mike. Mike, we do-- we'd like to move on, we're getting close to the hour and I know there's a couple that still have-- are in the queue to ask questions.

Michael Genovese - Soleil Securities - Analyst

Sure.

Operator

The next question is from Richard Gardner with Citigroup. Please go ahead.

Richard Gardner - Citigroup - Analyst

Okay, great. Thank you so much for taking the question. Kevin, I wanted to go back to Simona's earlier question regarding your comment on head count additions during the year, next year. First of all, could you perhaps give us a sense of whether next year is going to be a -- a significantly larger hiring year than you would typically see? I think in a normal year, if there is such a thing, you -- you hire around 1,000 or 1,100 new employees per year.

And, secondly, I just wanted to clarify, I was hoping that you could clarify that if the Company achieves its 20% plus revenue growth target for next year, do you still expect to make progress with operating margins towards your 25% long-term goal next year specifically, given those investments?

Kevin Johnson - Juniper Networks - CEO

Yes, let me -- thanks for the question, Richard. Let me -- let me just comment that we're in the process right now in our planning process of putting together our head count plans for 2011, and, so, it's premature for me to give you specific numbers on what will happen. But, my comments to Simona I think reflect strategically what Robyn and I would like to see happen, which is, I'll call it feathering up of sales and marketing cost as a percentage of revenue, and you can think of that in terms of a point at most in percent of revenue, and feathering down R&D as a cost as a percent of revenue. And, obviously, doing that all in a way that allows us to continue on our path towards operating margin expansion.

So, I wouldn't over interpret these comments as being some dramatic shift in strategy, but, it's basically the subtlety of where we're trying to put resources. And, I think that having our sales and marketing resources to go get the money and go get the



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revenue is key to us driving the long-term top line growth agenda. And, by driving that top line growth agenda, that's what's going to allow to us continue to fuel the investments that we need in R&D that help us continue to expand the product portfolio and help us continue to have -- to have a long-term value creation agenda for both customers and shareholders.

Michael Genovese - *Soleil Securities - Analyst*

Okay. Great, Kevin. That's very helpful, thank you.

Robyn Denholm - *Juniper Networks - CFO*

Thank you. And, Operator, we'll take two more questions. We are running out of time.

Operator

The next question is from William Choi with Jefferies. Please go ahead.

William Choi - *Jefferies & Co. - Analyst*

Okay, thanks. I just want to delve into mobile data, Kevin. You mentioned Falcon on track with milestones. If you could specify any kind of milestones that you could share with us. And, since this will-- Falcon will be primarily on MX 3D, I'm curious how many customers are currently on MX 3D now, the-- and what percentage of these customers you would expect to capture as a -- a customer for Mobile Falcon? And, finally, can you talk about the size and the number of customers involved in the trial by the end of the year? Thanks.

Kevin Johnson - *Juniper Networks - CEO*

Yes, the -- the Project Falcon has a number of different milestones and deliverables. The first deliverable was Traffic Direct, and we shipped Traffic Direct in Q2 of this year. And, so, Traffic Direct is a shipping software product that runs on the MX 3D and I think Robyn highlighted some of the design wins that we saw this last quarter on that. Falcon-- Project Falcon and the next milestone as part of the evolved pack of core software that also runs on the MX 3D, and we anticipate being in a very limited number of customer testing early trials by the end of this calendar year. That's the only milestone that we've announced thus far and we're on track to make that milestone. And then beyond that obviously there are other milestones and certainly as this unfolds, we'll share those with the marketplace as appropriate.

In terms of your question on how many customers are running MX 3D, the first thing I'll remind - remind folks is that the MX chassis-- the MX 3D is basically a line card upgrade to the MX chassis. So, all existing install base of MX customers can upgrade to the MX 3D by simply purchasing the MX 3D line cards. And, so, it's important when you look at the work that we've done to establish the install base that we have of MX, that all becomes addressable platform for us for the -- the Falcon offerings that are coming to market. I don't have a specific number on the number of customers that are running MX or MX 3D, but, I think, clearly, by the fact that just this quarter we more than tripled the shipments of the MX-3D versus last quarter is just as an indicator of the continued increased demand. And, I think my comments earlier on the fact that there's a wide range of scenarios that those customers are running it in, which is also reflective of the fact it's a wide range of customers that are running it.

The key areas to think about though for mobile internet and the focus is, as these Smartphones continue to grow and the -- the amount of traffic delivered to these Smartphones continues to just explode and the transition from 3G to LTE, that is the sweet spot for what we've targeted Falcon and the MX 3D for and that's where we're going to be laser focused with our go to market efforts.



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William Choi - Jefferies & Co. - Analyst

Is there any way to think about the evolution of gross margins for MX? So, obviously, 3D with its own chips that will have higher margins, then you have Traffic Direct and Falcon with software, so, even higher, what's the range of possibility of gross margins on MX?

Robyn Denholm - Juniper Networks - CFO

So, I -- I think in terms of gross margins they're good growth margins. I mean MX gross margins were good growth margins. MX 3D are better, as we've talked about before given that they're our intellectual property on the -- on the Trio chipset. So, at the analyst day, I gave you lots of different inputs into what will keep our growth margin range in that very healthy 66% to 68% of revenue. And MX 3D is one of those areas. The extension of the platform, the continued penetration into different accounts, and the fact that we continue to grow in volume across all of our major platforms, SRX, EX and MX as well. And, obviously, T and -- is growing well as well, in terms of call. So, all of those things help in terms of the growth margin range.

Kevin Johnson - Juniper Networks - CEO

Yes, I'd just punctuate Robyn's comments by saying, William, your point that software where we have software offerings like the offerings coming from Falcon, media flow that does content distribution networks, Junos Pulse, Junos Space, those are all software offerings. And software offerings have very good gross margin properties. And, I think, at the upcoming analyst day, I think, we'll -- Robyn and I'll provide you a little bit more insight into gross margin on the software and how we're going to work to drive a larger mix of our revenue in software, which obviously is very helpful when you look at the gross margin perspective.

Robyn Denholm - Juniper Networks - CFO

Okay and we do have time for one more question before we need to wrap up for today.

Operator

Our next question is from Ittai Kidron with Oppenheimer. Please go ahead with your question.

Ittai Kidron - Oppenheimer & Co. - Analyst

Thank you very much, made it. Just -- Robyn, just to want follow on the delay in the MX 3D. Is it -- are you stating that you expect to fulfill all of the backlog that you've had accumulating in this quarter because of shortages in components and late orders, that you'll be able to fulfill all of that in the fourth quarter?

Robyn Denholm - Juniper Networks - CFO

So, in terms of those that are in backlog exiting Q3, yes. We've taken steps to increase the supply obviously prior to this call, in terms of the MX 3D components because we obviously anticipate that to continue to ram. So, we've increased the supply going forward of MX 3D specific components.



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Ittai Kidron - *Oppenheimer & Co. - Analyst*

Okay and, lastly, with regards to the EX, great quarter there. Can you give us some color on the split of that revenue between carrier and Enterprise, what's kind of driving it? And, maybe, from a regional standpoint, where are you seeing more versus less traction with this solution?

Robyn Denholm - *Juniper Networks - CFO*

Yes, in terms of EX, we saw a 10% sequential increase and over 100% year-over-year. We actually saw a good Enterprise quarter with EX this quarter. Last quarter we talked about managed services wins and design wins on that front. We had a -- a very healthy increase last quarter quarter-over-quarter with the Service Providers. This quarter, it was -- it was largely Enterprise that grew. So, we're pleased by that continuing momentum in the Enterprise.

Ittai Kidron - *Oppenheimer & Co. - Analyst*

Very good. Thank you very much. Good luck.

Robyn Denholm - *Juniper Networks - CFO*

Thank you, Ittai. We'd like to thank all of you for joining us today. We very much appreciate your participation in our call and look forward to speaking with you again next quarter. Thank you.

Operator

This concludes today's teleconference. You may disconnect your lines. Thank you for your participation.

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