

Juniper Networks, Inc.
1133 Innovation Way
Sunnyvale, CA 94089

July 27, 2023

CFO Commentary on Second Quarter 2023 Preliminary Financial Results

Related Information

The following commentary is provided by management and should be referenced in conjunction with Juniper Networks' second quarter 2023 preliminary financial results press release available on its Investor Relations website at <http://investor.juniper.net>. These remarks represent management's current views of the Company's financial and operational performance and outlook and are provided to give investors and analysts further insight into the Company's performance in advance of the earnings call webcast.

Q2 2023 Preliminary Financial Results

GAAP

(in millions, except per share amounts and percentages)	Q2'23	Q1'23	Q2'22	Q/Q Change	Y/Y Change
Revenue	\$ 1,430.1	\$ 1,371.8	\$ 1,269.6	4 %	13 %
Product	963.2	912.6	839.8	6 %	15 %
Service	466.9	459.2	429.8	2 %	9 %
Gross margin %	56.9 %	56.2 %	54.7 %	0.7 pts	2.2 pts
Research and development	282.0	284.8	244.3	(1) %	15 %
Sales and marketing	308.3	303.2	274.3	2 %	12 %
General and administrative	65.2	68.0	67.2	(4) %	(3) %
Restructuring charges (benefits)	16.5	(0.5)	0.5	N/M	N/M
Total operating expenses	\$ 672.0	\$ 655.5	\$ 586.3	3 %	15 %
Operating margin %	9.9 %	8.4 %	8.5 %	1.5 pts	1.4 pts
Net income	\$ 24.4	\$ 85.4	\$ 113.4	(71) %	(78) %
Diluted net income per share	\$ 0.07	\$ 0.26	\$ 0.35	(73) %	(80) %

N/M - Not meaningful

Non-GAAP

(in millions, except per share amounts and percentages)

	Q3'23 Guidance	Q2'23	Q1'23	Q2'22	Q/Q Change	Y/Y Change
Revenue	\$1,385 +/- \$50	\$ 1,430.1	\$ 1,371.8	\$ 1,269.6	4 %	13 %
Product		963.2	912.6	839.8	6 %	15 %
Service		466.9	459.2	429.8	2 %	9 %
Gross margin %	58.5% +/- 1.0%	58.3 %	57.8 %	56.2 %	0.5 pts	2.1 pts
Research and development		255.0	257.7	226.5	(1) %	13 %
Sales and marketing		285.1	280.5	258.4	2 %	10 %
General and administrative		52.1	51.4	52.2	1 %	— %
Total operating expenses	\$585 +/- \$5	\$ 592.2	\$ 589.6	\$ 537.1	— %	10 %
Operating margin %	~16.3% at the midpoint	16.9 %	14.8 %	13.9 %	2.1 pts	3.0 pts
Net income		\$ 189.0	\$ 156.6	\$ 136.4	21 %	39 %
Diluted net income per share	\$0.54 +/- \$0.05	\$ 0.58	\$ 0.48	\$ 0.42	21 %	38 %

Q2 2023 Overview

We ended the second quarter of 2023 at \$1,430 million in revenue, above the mid-point of our guidance, and up 13% year-over-year. Non-GAAP diluted earnings per share was \$0.58, towards the high-end of our guidance range, driven by higher than expected revenue and gross margin.

During the June quarter, total product orders grew nearly double-digits sequentially, and the rate of decline improved on a year-over-year basis, but total product orders were less than expected. Enterprise orders grew year-over-year while Cloud and, to a lesser extent, Service Provider orders declined more than expected due to project delays and the consumption of previously placed orders taking longer than originally anticipated, which is impacting our second half visibility.

From a customer solution perspective, AI-Driven Enterprise revenue led the way with 63% year-over-year growth, Automated WAN Solutions revenue grew 3% year-over-year, and Cloud-Ready Data Center revenue was flat year-over-year. On a sequential basis, AI-Driven Enterprise revenue grew 17%, Cloud-Ready Data Center revenue grew 3%, and Automated WAN Solutions revenue was flat.

Looking at our revenue by vertical, Enterprise increased 38% year-over-year and 16% sequentially. Service Provider increased 1% year-over-year but decreased 14% sequentially. Cloud decreased 6% year-over-year but increased 17% sequentially.

Total Software and Related Services revenue was \$318 million, which was an increase of 49% year-over-year. ARR¹ was \$319 million and grew 37% year-over-year.

Total Security revenue was \$168 million, up 6% year-over-year due to the timing of shipments related to improved supply.

In reviewing our top 10 customers for the quarter, six were Cloud, three were Service Provider, and one was an Enterprise. Our top 10 customers accounted for 27% of our total revenue as compared to 34% in Q2'22.

Non-GAAP gross margin was 58.3%, which was above the mid-point of guidance, primarily driven by favorable software revenue mix and higher revenue volume, partially offset by higher inventory-related expenses.

Non-GAAP operating expenses increased 10% year-over-year primarily due to headcount-related costs, but were flat sequentially.

¹ ARR represents annual recurring revenue from renewable contracts with customers for software licenses, software support and maintenance, and SaaS expected to be recognized over an annual period of time. This metric includes the implied annualized billing value of contracts that are active as of the end of the periods presented. This metric excludes software licenses recognized as revenue at a point in time.

Non-GAAP operating margin was 16.9% for the quarter, which was above our expectations, driven by higher revenue and better than expected gross margin.

Cash flows provided by operations was \$343 million. We paid \$70 million in dividends, reflecting a quarterly dividend of \$0.22 per share, and repurchased \$120 million worth of shares in the quarter.

Total cash, cash equivalents, and investments at the end of the second quarter of 2023 was \$1.3 billion.

Revenue

Product and Service

- **Product Revenue:** \$963 million, up 15% year-over-year and up 6% sequentially.
- **Service Revenue:** \$467 million, up 9% year-over-year and up 2% sequentially. The year-over-year and sequential increases were primarily driven by strong sales of SaaS and software subscriptions.

Customer Solution

- **Automated WAN Solutions:** \$475 million, up 3% year-over-year and flat sequentially. The year-over-year increase was driven by Enterprise and Service Provider, partially offset by a decrease in Cloud. Sequentially, increases in Cloud and Enterprise were offset by a decrease in Service Provider.
- **AI-Driven Enterprise:** \$371 million, up 63% year-over-year and up 17% sequentially. The year-over-year increase was across all verticals. Sequentially, the increase was driven by Enterprise and Cloud, partially offset by a decrease in Service Provider.
- **Cloud-Ready Data Center:** \$200 million, flat year-over-year and up 3% sequentially. On a year-over-year basis, increases in Enterprise and Service Provider were offset by a decrease in Cloud. The sequential increase was driven by Enterprise and Service Provider, partially offset by a decrease in Cloud.
- **Hardware Maintenance and Professional Services:** \$384 million, up 1% year-over-year and down 1% sequentially.

Vertical

- **Enterprise:** \$646 million, up 38% year-over-year and up 16% sequentially. The year-over-year and sequential increases were across all customer solutions.
- **Service Provider:** \$474 million, up 1% year-over-year and down 14% sequentially. The year-over-year increase was driven by a modest increase in AI-Driven Enterprise, Automated WAN Solutions, and Cloud-Ready Data Center, partially offset by a decrease in Hardware Maintenance and Professional Services. The sequential decrease was primarily due to Automated WAN Solutions.
- **Cloud:** \$311 million, down 6% year-over-year and up 17% sequentially. The year-over-year decrease was due to Cloud-Ready Data Center and Automated WAN Solutions, partially offset by increases in AI-Driven Enterprise and Hardware Maintenance and Professional Services. The sequential increase was primarily driven by Automated WAN Solutions.

Geography

- **Americas:** \$849 million, up 13% year-over-year and up 6% sequentially. The year-over-year increase was driven by Enterprise, partially offset by a decrease in Cloud. The sequential increase was driven by Enterprise and Cloud, partially offset by a decrease in Service Provider.

- **EMEA:** \$355 million, up 5% year-over-year and down 4% sequentially. Year-over-year, the increase was driven by Enterprise, partially offset by decreases in Cloud and Service Provider. The sequential decrease was due to Service Provider, partially offset by increases in Enterprise and Cloud.
- **APAC:** \$227 million, up 23% year-over-year and up 12% sequentially. The year-over-year and sequential increases were across all verticals.

Additional Disclosures

- **Software and Related Services:** \$318 million, up 49% year-over-year and up 37% sequentially. The year-over-year and sequential increases were driven by perpetual software licenses and software license subscriptions.
- **Total Security:** \$168 million, up 6% year-over-year and down 8% sequentially. The year-over-year increase and the sequential decrease were due to the timing of hardware shipments.

Gross Margin

- **GAAP gross margin:** 56.9%, compared to 54.7% from the prior year and 56.2% from last quarter.
- **Non-GAAP gross margin:** 58.3%, compared to 56.2% from the prior year and 57.8% from last quarter.
- **GAAP product gross margin:** 51.1%, up 2.5 points from the prior year and up 0.9 points from last quarter.
- **Non-GAAP product gross margin:** 52.8%, up 2.3 points from the prior year and up 0.9 points from last quarter.

The year-over-year increases in GAAP and Non-GAAP product gross margin were primarily driven by the easing of elevated logistics and other supply chain costs, favorable software mix and pricing actions, partially offset by higher inventory-related expenses.

On a sequential basis, the increases in GAAP and non-GAAP product gross margin were primarily driven by favorable software mix, partially offset by higher inventory-related expenses.

- **GAAP service gross margin:** 68.7%, up 2.1 points from the prior year and up 0.4 points from last quarter.
- **Non-GAAP service gross margin:** 69.7%, up 2.3 points from the prior year and up 0.3 points from last quarter.

The year-over-year and sequential increases in service gross margin, on a GAAP and non-GAAP basis, were primarily driven by higher revenue.

Operating Expenses

- **GAAP operating expenses:** \$672 million, an increase of \$86 million year-over-year, and an increase of \$17 million sequentially.

The year-over-year increase in operating expenses was primarily due to higher headcount-related costs and restructuring charges. The sequential increase in operating expenses was primarily due to higher restructuring charges.

GAAP operating expenses were 47.0% of revenue, up 0.8 points year-over-year and down 0.8 points sequentially.

- **Non-GAAP operating expenses:** \$592 million, an increase of \$55 million year-over-year, and an increase of \$3 million sequentially.

The year-over-year increase in non-GAAP operating expenses was primarily due to higher headcount-related costs. Non-GAAP operating expenses were essentially flat on a sequential basis.

Non-GAAP operating expenses were 41.4% of revenue, down 0.9 points year-over-year and down 1.6 points sequentially.

Operating Margin

- **GAAP operating margin:** 9.9%, an increase of 1.4 points year-over-year and an increase of 1.5 points sequentially.
- **Non-GAAP operating margin:** 16.9%, an increase of 3.0 points year-over-year and an increase of 2.1 points sequentially.

Tax Rate

- **GAAP tax rate:** 36.2% provision, compared to 21.7% provision in the prior year and 18.3% provision last quarter.

The year-over-year and sequential increases in the effective tax rate, on a GAAP basis, were primarily due to the net effect of the downward adjustments to the fair value of certain privately-held investments.

- **Non-GAAP tax rate:** 19.0%, compared to 18.8% in the prior year and 19.0% last quarter.

The modest year-over-year increase in the effective tax rate was primarily due to the impact of the geographic mix of earnings. The sequential effective tax rate was flat.

Diluted Earnings Per Share

- **GAAP diluted earnings per share:** \$0.07, a decrease of \$0.28 year-over-year and a decrease of \$0.19 sequentially.

The year-over-year decrease in EPS on a GAAP basis was primarily due to loss on privately-held investments and higher operating expenses, partially offset by higher revenue and a higher gross margin.

The sequential decrease in EPS on a GAAP basis, was primarily due to loss on privately-held investments and higher operating expenses, partially offset by higher revenue.

- **Non-GAAP diluted earnings per share:** \$0.58, an increase of \$0.16 year-over-year and an increase of \$0.10 sequentially.

The year-over-year and sequential increases in EPS on a non-GAAP basis were primarily driven by higher revenue and a higher gross margin, partially offset by higher operating expenses.

Balance Sheet, Cash Flows, Capital Return, and Other Financial Metrics

(in millions, except days sales outstanding ("DSO"), and headcount)

	Q2'23	Q1'23	Q4'22	Q3'22	Q2'22
Cash ⁽¹⁾	\$ 1,296.4	\$ 1,191.0	\$ 1,230.0	\$ 1,254.9	\$ 1,285.6
Debt ⁽²⁾	1,602.6	1,616.7	1,601.3	1,595.7	1,625.8
Net cash ⁽³⁾	(306.2)	(425.7)	(371.3)	(340.8)	(340.2)
Operating cash flows	343.0	191.5	119.6	51.8	(266.9)
Capital expenditures	41.1	42.1	31.7	23.9	24.5
Depreciation and amortization	48.0	48.6	51.2	52.7	53.9
Share repurchases	120.0	140.0	87.5	—	100.0
Dividends	\$ 69.9	\$ 70.6	\$ 67.6	\$ 68.0	\$ 67.3
Diluted shares	326.0	329.1	329.9	328.9	328.1
DSO	57	70	76	65	74
Headcount	11,395	11,244	10,901	10,705	10,535

⁽¹⁾ Includes cash, cash equivalents, and investments.

⁽²⁾ Debt includes change in fair value of fixed-rate debt swapped to floating rate, equally offset on the balance sheet by a swap asset/liability.

⁽³⁾ Net cash includes cash, cash equivalents, and short and long-term investments, net of debt.

Cash Flows

- **Cash Flows from Operations:** \$343 million cash flows from operations, compared to \$267 million cash outflow in Q2'2022 and \$192 million cash flows from operations last quarter.

The year-over-year increase was primarily driven by higher customer collections and lower cash taxes, partially offset by higher supplier payments.

The sequential increase was primarily driven by lower payments of variable compensation, partially offset by lower customer collections.

As of June 30, 2023, we have deferred approximately \$200 million of federal tax payments. Our cash paid for income taxes in the second half of this year will increase due to these deferred federal tax payments.

Days Sales Outstanding (DSO)

- **DSO:** 57 days, a 13-day decrease from the prior quarter, driven by lower Service invoicing, in-line with normal seasonality and higher revenue.

Capital Return

- In the quarter, we paid a dividend of \$0.22 per share for a total of \$70 million and repurchased \$120 million worth of shares.

Demand Metrics

- **Total deferred revenue** was \$1,765 million, up \$303 million year-over-year and up \$5 million sequentially.
- **Deferred revenue from customer solutions**² was \$680 million, up \$177 million year-over-year and up \$26 million sequentially.

The year-over-year and sequential increases were primarily driven by an increase in SaaS and software-related services.

- **Deferred revenue from hardware maintenance and professional services** was \$1,085 million, up \$125 million year-over-year and down \$21 million sequentially.

The year-over-year increase and sequential decrease were primarily driven by the timing of contract renewals.

Deferred Revenue

(in millions)	June 30, 2023	March 31, 2023	June 30, 2022
Deferred product revenue	\$ 91.3	\$ 95.8	\$ 112.4
Deferred service revenue	1,673.9	1,664.1	1,350.2
Total	<u>\$ 1,765.2</u>	<u>\$ 1,759.9</u>	<u>\$ 1,462.6</u>
Deferred revenue from customer solutions	\$ 680.3	\$ 654.4	\$ 503.1
Deferred revenue from hardware maintenance and professional services	1,084.9	1,105.5	959.5
Total	<u>\$ 1,765.2</u>	<u>\$ 1,759.9</u>	<u>\$ 1,462.6</u>

Headcount

- Ending headcount for Q2'23 was 11,395, an increase of 860 employees year-over-year and an increase of 151 employees sequentially. The year-over-year and sequential increases were primarily a result of additional hires in our R&D and go-to-market organizations.

Outlook

These metrics are provided on a non-GAAP basis, except for revenue and share count. Non-GAAP earnings per share is on a fully diluted basis. The outlook assumes that the exchange rate of the U.S. dollar to other currencies will remain relatively stable at current levels.

For the third quarter, we expect to see continued weakness in bookings, particularly with our Cloud and, to a lesser extent, our Service Provider customers. We believe the softness in bookings is largely attributable to customer digestion of previously placed orders and certain projects being pushed to future periods. We expect the macro-economic environment to remain challenged, which may continue to impact customer spending. These factors are negatively impacting our revenue expectations.

Non-GAAP gross margin is expected to modestly increase in Q3 2023. This forecast assumes supply chain-related costs improve but remain elevated relative to pre-pandemic levels.

We will continue to manage non-GAAP operating expenses prudently and expect a sequential decline.

² Includes deferred revenue from hardware solutions, software licenses, software support and maintenance and SaaS offerings sold in our Automated WAN Solutions, Cloud-Ready Data Center, and AI-Driven Enterprise customer solution categories.

Q3 2023

Our guidance for the quarter ending September 30, 2023 is as follows:

- Revenue will be approximately \$1,385 million, plus or minus \$50 million.
- Non-GAAP gross margin will be approximately 58.5%, plus or minus 1.0%.
- Non-GAAP operating expenses will be approximately \$585 million, plus or minus \$5 million.
- Non-GAAP operating margin will be approximately 16.3% at the mid-point of revenue guidance.
- Non-GAAP tax rate will be approximately 19.0%.
- Non-GAAP net income per share will be approximately \$0.54, plus or minus \$0.05. This assumes a share count of approximately 328 million shares.

2023 Outlook

As mentioned previously, we experienced weaker than expected order activity in the second quarter, particularly with our Cloud and to a lesser extent our Service Provider customers. We expect this weakness to continue into the second-half of the year. As such, we are amending our full-year revenue guidance to approximately 5-6% growth year-over-year.

We are raising our non-GAAP gross margin guidance from approximately 58% to greater than 58% on a full-year basis primarily driven by anticipated improvements in supply chain costs.

We still expect to deliver non-GAAP operating margin expansion of greater than 100 basis points as the benefit from higher non-GAAP gross margin and prudent non-GAAP operating expense management should offset the impact of lower revenue.

Non-GAAP earnings per share are expected to grow double-digits in 2023.

Our long-term financial objectives have not changed. We plan to deliver sustainable revenue growth, improved operating margin, and earnings expansion over time.

Capital Return

Our Board of Directors has declared a cash dividend of \$0.22 per share to be paid on September 22, 2023 to stockholders of record as of the close of business on September 1, 2023. We remain committed to paying our dividend and remain opportunistic with respect to share buybacks.

Forward-Looking Statements

Statements in this CFO Commentary and related conference call concerning Juniper Networks' business, economic and market outlook, including currency exchange rates; our financial guidance and the expected continuing impact of manufacturing and supply constraints, and the consummation and integration of, and financial impact resulting from any acquisitions and divestitures on our guidance; our expectations regarding our liquidity, capital return program, supply constraints and access to sufficient supplies of semiconductors and other components; deal, customer and product mix; costs; backlog; share buybacks; and our overall future prospects are forward-looking statements within the meaning of the Private Securities Litigation Reform Act that involve a number of uncertainties and risks. Actual results or events could differ materially from those anticipated in those forward-looking statements as a result of several factors, including: general economic and political conditions globally or regionally, including adverse changes in China-Taiwan relations and any impact due to armed conflicts (such as the continuing conflict between Russia and Ukraine as well as governmental sanctions imposed in response); rising interest rates; inflationary pressures; monetary policy shifts; recession risks; business and economic conditions in the networking industry; changes in overall technology spending by our customers; the network capacity and security requirements of our customers and, in particular, Cloud and telecommunication service providers; contractual terms that may result in the deferral of revenue; the timing of orders and their fulfillment; continuing manufacturing and supply chain challenges and logistics costs, constraints, changes or disruptions; availability and pricing of key product components, such as semiconductors; delays in scheduled product availability; order cancellations; adoption of or changes to laws, regulations, standards or policies affecting Juniper Networks' operations, products, services or the networking industry; product defects, returns or vulnerabilities; significant effects of tax legislation and judicial or administrative interpretation of new tax regulations, including the potential for corporate tax increases and changes to global tax laws; legal settlements and resolutions, including with respect to enforcing our proprietary rights; the potential impact of activities related to the execution of capital return, restructurings and product rationalization; the impact of import tariffs and changes thereto; and other factors listed in Juniper Networks' most recent report on Form 10-Q or 10-K filed with the Securities and Exchange Commission. In addition, many of the foregoing risks and uncertainties are, and could be, exacerbated by any worsening of the global business and economic environment or other disruptions due to geopolitical conditions and global health emergencies. Note that our estimates as to the tax rate on our business are based on current tax law and regulations, including current interpretations thereof, and could be materially affected by changing interpretations as well as additional legislation and guidance. All statements made in this CFO Commentary and related conference call are made only as of the date set forth at the beginning of this document. Juniper Networks undertakes no obligation to update the information made in this document or the related conference call in the event facts or circumstances subsequently change after the date of this document. We have not filed our Form 10-Q for the quarter ended June 30, 2023. As a result, all financial results described in this CFO Commentary should be considered preliminary, and are subject to change to reflect any necessary adjustments or changes in accounting estimates, that are identified prior to the time we file our Form 10-Q.

All forward-looking non-GAAP measures exclude estimates for amortization of intangible assets, share-based compensation expenses, acquisition, divestiture, and strategic investment related charges, restructuring benefits or charges, impairment charges, strategic partnership-related charges, legal reserve and settlement charges or benefits, gain or loss, and impairment charges on equity investments, loss on extinguishment of debt, retroactive impact of certain tax settlements, significant effects of tax legislation and judicial or administrative interpretation of tax regulations, including the impact of income tax reform, non-recurring income tax adjustments, valuation allowance on deferred tax assets, and the income tax effect of non-GAAP exclusions, and do not include the impact of further changes to tariffs and the impact of any future acquisitions, divestitures, or joint ventures that may occur in the period. Material changes to any one of these items could have a significant effect on our guidance and future GAAP results. Certain exclusions, such as amortization of intangible assets and share-based compensation expenses, are generally incurred each quarter, but the amounts have historically varied and may continue to vary significantly from quarter to quarter.

Non-GAAP Financial Measures

This CFO Commentary contains references to the following non-GAAP financial measures: gross margin; product gross margin; service gross margin; research and development expense; sales and marketing expense; general and administrative expense; operating expense; operating expense as a percentage of revenue; operating income; operating margin; provision for income tax; income tax rate; net income; and diluted earnings per share. For important commentary on why Juniper Networks considers non-GAAP information a useful view of the company's financial results, please see the press release furnished with our Form 8-K filed today with the SEC. With respect to future financial guidance provided on a non-GAAP basis, we have excluded estimates for amortization of intangible assets, share-based compensation expenses, acquisition, divestiture, and strategic investment related charges, restructuring benefits or charges, impairment charges, strategic partnership-related charges, legal reserve and settlement charges or benefits, supplier component remediation charges and recoveries, gain, loss or impairment charges on equity or equity method investments, gain, loss or impairment charges on privately-held investments, gain on divestiture, loss on extinguishment of debt, retroactive impact of certain tax settlements, significant effects of tax legislation and judicial or administrative interpretation of tax regulations, including the impact of income tax reform, non-recurring income tax adjustments, valuation allowance on deferred tax assets, and the income tax effect of non-GAAP exclusions, and do not include the impact of changes to tariffs and the impact of any future acquisitions, divestitures, or joint ventures that may occur in the applicable period. These measures are not presented in accordance with, nor are they a substitute for U.S. generally accepted accounting principles, or GAAP. In addition, these measures may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes. The non-GAAP financial measures used in this CFO Commentary should not be considered in isolation from measures of financial performance prepared in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future.

Juniper is unable to provide a reconciliation of non-GAAP guidance measures to corresponding U.S. generally accepted accounting principles or GAAP measures on a forward-looking basis without unreasonable effort due to the overall high variability and low visibility of most of the foregoing items that have been excluded from these non-GAAP measures. For example, share-based compensation expense is impacted by the Company's future hiring needs, the type and volume of equity awards necessary for such future hiring, and the price at which the Company's stock will trade in those future periods. Amortization of intangible assets is significantly impacted by the timing and size of any future acquisitions. The items that are being excluded are difficult to predict and a reconciliation could result in disclosure that would be imprecise or potentially misleading.

Juniper Networks, Inc.
Preliminary Supplemental Data
(in millions, except percentages)
(unaudited)

Deferred Revenue

	As of	
	June 30, 2023	December 31, 2022
Deferred product revenue	\$ 91.3	\$ 108.8
Deferred service revenue	1,673.9	1,554.3
Total	<u>\$ 1,765.2</u>	<u>\$ 1,663.1</u>
Deferred revenue from customer solutions	\$ 680.3	\$ 632.8
Deferred revenue from hardware maintenance and professional services	1,084.9	1,030.3
Total	<u>\$ 1,765.2</u>	<u>\$ 1,663.1</u>
Reported as:		
Current	\$ 1,037.9	\$ 1,020.5
Long-term	727.3	642.6
Total	<u>\$ 1,765.2</u>	<u>\$ 1,663.1</u>

Customer Solution: Revenue Trend

	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q/Q Change		Y/Y Change		
Customer Solutions:										
Automated WAN Solutions	\$ 462.9	\$ 532.7	\$ 479.0	\$ 474.5	\$ 474.6	\$ 0.1	— %	\$ 11.7	2.5 %	
Cloud-Ready Data Center	200.9	229.3	259.9	193.6	200.3	6.7	3.5 %	(0.6)	(0.3)%	
AI-Driven Enterprise	227.3	266.6	318.3	317.0	371.1	54.1	17.1 %	143.8	63.3 %	
Hardware Maintenance and Professional Services										
	378.5	386.0	391.6	386.7	384.1	(2.6)	(0.7)%	5.6	1.5 %	
Total revenue	\$ 1,269.6	\$ 1,414.6	\$ 1,448.8	\$ 1,371.8	\$ 1,430.1	\$ 58.3	4.2 %	\$ 160.5	12.6 %	

Additional Disclosures: Software and Security Products and Services: Revenue Trend

	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q/Q Change		Y/Y Change	
Software and Related Services	\$ 213.4	\$ 247.6	\$ 305.1	\$ 232.2	\$ 318.3	\$ 86.1	37.1 %	\$ 104.9	49.2 %
Total Security	\$ 158.6	\$ 139.7	\$ 169.3	\$ 181.6	\$ 167.6	\$ (14.0)	(7.7)%	\$ 9.0	5.7 %

Vertical Reporting: Revenue Trend

	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q/Q Change		Y/Y Change	
Cloud	\$ 331.0	\$ 375.3	\$ 380.3	\$ 264.9	\$ 311.0	\$ 46.1	17.4 %	\$ (20.0)	(6.0)%
Service Provider	470.8	523.1	469.3	549.9	473.6	(76.3)	(13.9)%	2.8	0.6 %
Enterprise	467.8	516.2	599.2	557.0	645.5	88.5	15.9 %	177.7	38.0 %
Total revenue	<u>\$ 1,269.6</u>	<u>\$ 1,414.6</u>	<u>\$ 1,448.8</u>	<u>\$ 1,371.8</u>	<u>\$ 1,430.1</u>	<u>\$ 58.3</u>	<u>4.2 %</u>	<u>\$ 160.5</u>	<u>12.6 %</u>

Geographic Region Reporting: Revenue Trend

	<u>Q2'22</u>	<u>Q3'22</u>	<u>Q4'22</u>	<u>Q1'23</u>	<u>Q2'23</u>	<u>Q/Q Change</u>		<u>Y/Y Change</u>	
Americas	\$ 748.6	\$ 895.8	\$ 857.4	\$ 798.5	\$ 848.6	\$ 50.1	6.3 %	\$ 100.0	13.4 %
Europe, Middle East, and Africa	337.2	320.4	378.5	369.9	354.6	(15.3)	(4.1)%	17.4	5.2 %
Asia Pacific	183.8	198.4	212.9	203.4	226.9	23.5	11.6 %	43.1	23.4 %
Total	<u>\$ 1,269.6</u>	<u>\$ 1,414.6</u>	<u>\$ 1,448.8</u>	<u>\$ 1,371.8</u>	<u>\$ 1,430.1</u>	<u>\$ 58.3</u>	<u>4.2 %</u>	<u>\$ 160.5</u>	<u>12.6 %</u>

Juniper Networks, Inc.
Preliminary Reconciliations between GAAP and non-GAAP Financial Measures
(in millions, except percentages and per share amounts)
(unaudited)

	Three Months Ended		
	June 30, 2023	March 31, 2023	June 30, 2022
GAAP gross margin - Product	\$ 492.5	\$ 457.7	\$ 407.9
GAAP product gross margin % of product revenue	51.1 %	50.2 %	48.6 %
Share-based compensation expense	1.7	1.7	1.2
Amortization of purchased intangible assets	14.4	14.4	15.5
Gain (loss) on non-qualified deferred compensation plan ("NQDC")	0.1	0.1	(0.2)
Non-GAAP gross margin - Product	\$ 508.7	\$ 473.9	\$ 424.4
Non-GAAP product gross margin % of product revenue	52.8 %	51.9 %	50.5 %
GAAP gross margin - Service	\$ 320.6	\$ 313.5	\$ 286.2
GAAP service gross margin % of service revenue	68.7 %	68.3 %	66.6 %
Share-based compensation expense	4.7	4.7	3.7
Share-based payroll tax expense	—	0.2	0.4
Gain (loss) on NQDC	0.3	0.3	(0.7)
Non-GAAP gross margin - Service	\$ 325.6	\$ 318.7	\$ 289.6
Non-GAAP service gross margin % of service revenue	69.7 %	69.4 %	67.4 %
GAAP gross margin	\$ 813.1	\$ 771.2	\$ 694.1
GAAP gross margin % of revenue	56.9 %	56.2 %	54.7 %
Share-based compensation expense	6.4	6.4	4.9
Share-based payroll tax expense	—	0.2	0.4
Amortization of purchased intangible assets	14.4	14.4	15.5
Gain (loss) on NQDC	0.4	0.4	(0.9)
Non-GAAP gross margin	\$ 834.3	\$ 792.6	\$ 714.0
Non-GAAP gross margin % of revenue	58.3 %	57.8 %	56.2 %
GAAP research and development expense	\$ 282.0	\$ 284.8	\$ 244.3
Share-based compensation expense	(26.1)	(25.7)	(19.3)
Share-based payroll tax expense	(0.1)	(0.6)	(0.4)
Loss (gain) on NQDC	(0.8)	(0.8)	1.9
Non-GAAP research and development expense	\$ 255.0	\$ 257.7	\$ 226.5

Juniper Networks, Inc.
Preliminary Reconciliations between GAAP and non-GAAP Financial Measures
(in millions, except percentages and per share amounts)
(unaudited)

	Three Months Ended		
	June 30, 2023	March 31, 2023	June 30, 2022
GAAP sales and marketing expense	\$ 308.3	\$ 303.2	\$ 274.3
Share-based compensation expense	(19.4)	(18.6)	(12.4)
Share-based payroll tax expense	(0.3)	(0.7)	(1.1)
Amortization of purchased intangible assets	(2.8)	(2.7)	(4.0)
Loss (gain) on NQDC	(0.7)	(0.7)	1.6
Non-GAAP sales and marketing expense	\$ 285.1	\$ 280.5	\$ 258.4
GAAP general and administrative expense	\$ 65.2	\$ 68.0	\$ 67.2
Share-based compensation expense	(10.1)	(10.2)	(10.6)
Share-based payroll tax expense	(0.1)	(0.1)	(0.1)
Acquisition related charges	—	(0.7)	(0.8)
Loss (gain) on NQDC	(0.1)	(0.2)	0.4
Others	(2.8)	(5.4)	(3.9)
Non-GAAP general and administrative expense	\$ 52.1	\$ 51.4	\$ 52.2
GAAP operating expenses	\$ 672.0	\$ 655.5	\$ 586.3
GAAP operating expenses % of revenue	47.0 %	47.8 %	46.2 %
Share-based compensation expense	(55.6)	(54.5)	(42.3)
Share-based payroll tax expense	(0.5)	(1.4)	(1.6)
Amortization of purchased intangible assets	(2.8)	(2.7)	(4.0)
Restructuring (charges) benefits	(16.5)	0.5	(0.5)
Acquisition related charges	—	(0.7)	(0.8)
Loss (gain) on NQDC	(1.6)	(1.7)	3.9
Others	(2.8)	(5.4)	(3.9)
Non-GAAP operating expenses	\$ 592.2	\$ 589.6	\$ 537.1
Non-GAAP operating expenses % of revenue	41.4 %	43.0 %	42.3 %
GAAP operating income	\$ 141.1	\$ 115.7	\$ 107.8
GAAP operating margin	9.9 %	8.4 %	8.5 %
Share-based compensation expense	62.0	60.9	47.2
Share-based payroll tax expense	0.5	1.6	2.0
Amortization of purchased intangible assets	17.2	17.1	19.5
Restructuring charges (benefits)	16.5	(0.5)	0.5
Acquisition related charges	—	0.7	0.8
Gain (loss) on NQDC	2.0	2.1	(4.8)
Others	2.8	5.4	3.9
Non-GAAP operating income	\$ 242.1	\$ 203.0	\$ 176.9
Non-GAAP operating margin	16.9 %	14.8 %	13.9 %

Juniper Networks, Inc.
Preliminary Reconciliations between GAAP and non-GAAP Financial Measures
(in millions, except percentages and per share amounts)
(unaudited)

	Three Months Ended		
	June 30, 2023	March 31, 2023	June 30, 2022
GAAP other expense, net ⁽¹⁾	\$ (7.4)	\$ (8.8)	\$ (14.0)
GAAP other expense, net % of revenue ⁽¹⁾	(0.5)%	(0.6)%	(1.1)%
Loss on equity investments ⁽¹⁾	0.6	1.2	0.3
Loss (gain) on NQDC	(2.0)	(2.1)	4.8
Non-GAAP other expense, net	\$ (8.8)	\$ (9.7)	\$ (8.9)
Non-GAAP other expense, net % of revenue	(0.6)%	(0.7)%	(0.7)%
GAAP income tax provision	\$ 15.0	\$ 19.6	\$ 31.6
GAAP income tax rate	36.2 %	18.3 %	21.7 %
Income tax effect of non-GAAP exclusions	29.3	17.1	—
Non-GAAP provision for income tax	\$ 44.3	\$ 36.7	\$ 31.6
Non-GAAP income tax rate	19.0 %	19.0 %	18.8 %
GAAP net income	\$ 24.4	\$ 85.4	\$ 113.4
Share-based compensation expense	62.0	60.9	47.2
Share-based payroll tax expense	0.5	1.6	2.0
Amortization of purchased intangible assets	17.2	17.1	19.5
Restructuring charges (benefits)	16.5	(0.5)	0.5
Acquisition related charges	—	0.7	0.8
Gain on divestiture	—	—	(45.8)
Loss (gain) on privately-held investments ⁽¹⁾	92.2	(0.2)	(5.9)
Loss on equity investments ⁽¹⁾	0.6	1.2	0.3
Loss from equity method investment	2.1	2.1	0.5
Income tax effect of non-GAAP exclusions	(29.3)	(17.1)	—
Others	2.8	5.4	3.9
Non-GAAP net income	\$ 189.0	\$ 156.6	\$ 136.4
GAAP diluted net income per share	\$ 0.07	\$ 0.26	\$ 0.35
Non-GAAP diluted net income per share	\$ 0.58	\$ 0.48	\$ 0.42
Shares used in computing diluted net income per share	326.0	329.1	328.1

⁽¹⁾ The prior period amounts have been reclassified to conform to the current period presentation.