

Q3 2014 Financial Results Conference Call

Thursday, October 23, 2014
2:00 P.M. Pacific Time

Forward Looking Statements

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Use of Non-GAAP Financial Measures

These presentation slides contain references to the following non-GAAP financial measures derived from our Preliminary Condensed Consolidated Statements of Operations: product gross margin, product gross margin as a percentage of product revenue; service gross margin; service gross margin as a percentage of service revenue; gross margin; gross margin as a percentage of revenue; research and development expense; sales and marketing expense; general and administrative expense; operating expense; operating income; operating margin; provision for income taxes; income tax rate; net income; and net income per share. For detailed reconciliation between the non-GAAP financial results presented in these slides and corresponding GAAP measures, please refer to the appendix at the end of this slide deck. In addition, 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-related charges, restructuring and other (credit) charges, impairment charges, professional services related to non-routine stockholder matters, product quality-related remediation charges, litigation settlement and resolution charges, gain or loss on contract settlement, professional fees and other direct expenses associated with divestiture, gain or loss on equity investments, valuation allowance on deferred tax assets, and income tax effect of non-GAAP exclusions.

A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis due to the high variability and low visibility with respect to the charges which are excluded from these non-GAAP measures.



Q3 2014 Results

Shaygan Kheradpir
Chief Executive Officer

Integrated Operating Plan Results to Date

Strategy	Leading Provider of High-IQ Networks for Cloud Builders		▶ R&D and GTM Pivoted to Fastest Growing Market Sub-Segments
Structure	Optimized One-Juniper Structure		▶ 1 GTM, 1 Operations and 1 R&D Team: Agile & Entrepreneurial
Cost Management	Enhanced Efficiency Resulting in 2015 Significant Y/Y Operating Margin Expansion		▶ Exceeded \$160M Annualized Cost Reduction and Completed 2 Quarters Early
Capital Allocation	Aggressive Capital Return Plan While Preserving Flexibility for Growth		▶ Ahead on Plan: Returned \$1.8B to Stockholders

Strengthening our disciplined execution

Q3'14 Key Takeaways

- Disappointed with revenue performance.
- Pleased with design wins and long-term fundamentals.
- Ahead of schedule on cost reductions.
- Good progress towards efficient long-term capital structure.
- Completed sale of Junos Pulse.
- Announced an additional \$100 million of cost reductions and increased total annualized commitment to \$260 million.
- Increased capital return program to \$4.1 billion.
- Continuing aggressive and opportunistic reduction of share count.



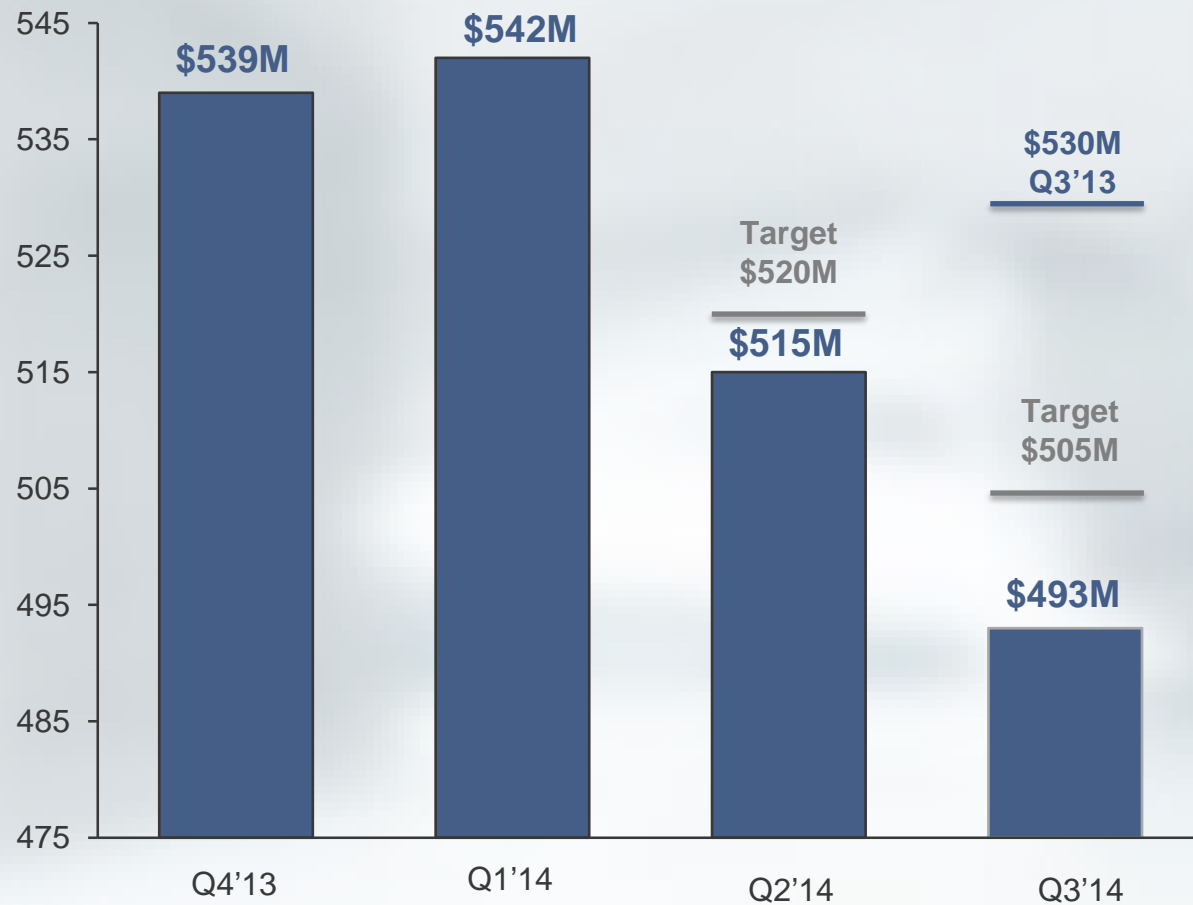
Financial Review

Robyn Denholm

Chief Financial and Operations Officer

Ahead of IOP Cost Commitments*

Realized greater than \$160M annualized savings



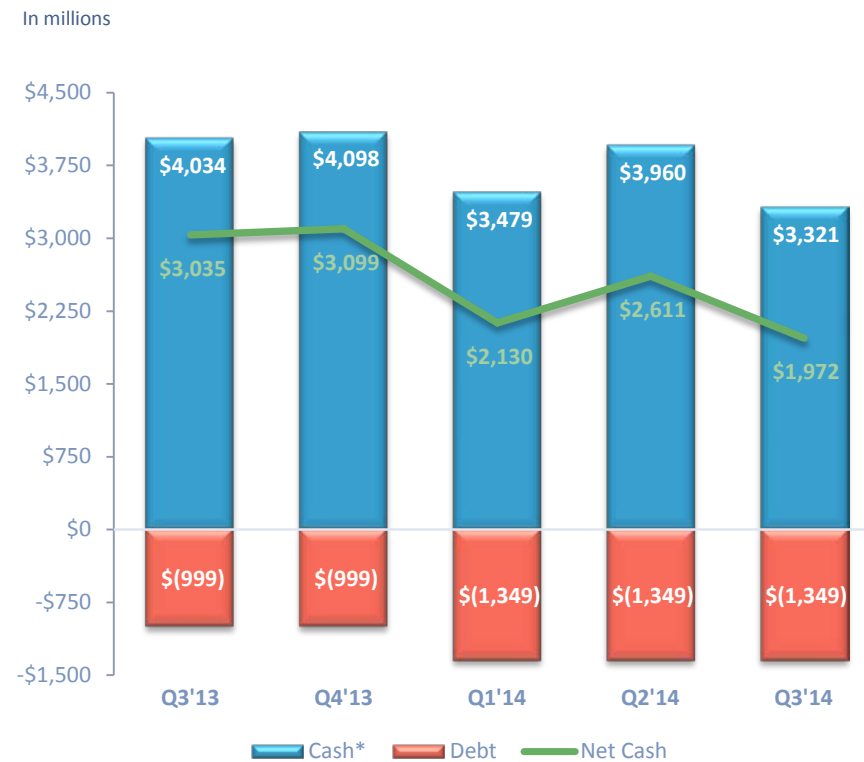
■ IOP Target
■ Actual

- ✓ Realized IOP savings 2 quarters early
- ✓ Headcount reduced by ~7% normalized for Pulse; ~75% of savings from management positions
- ✓ Reduced facilities footprint by ~300K sq.ft. or ~13%
- ✓ Rationalized the R&D portfolio; divested Pulse business

* As a result of the current demand environment, we have increased our cost reduction commitment to bring the total to \$260M.

Strong Cash Flow and Financial Metrics Support Healthy Capital Return

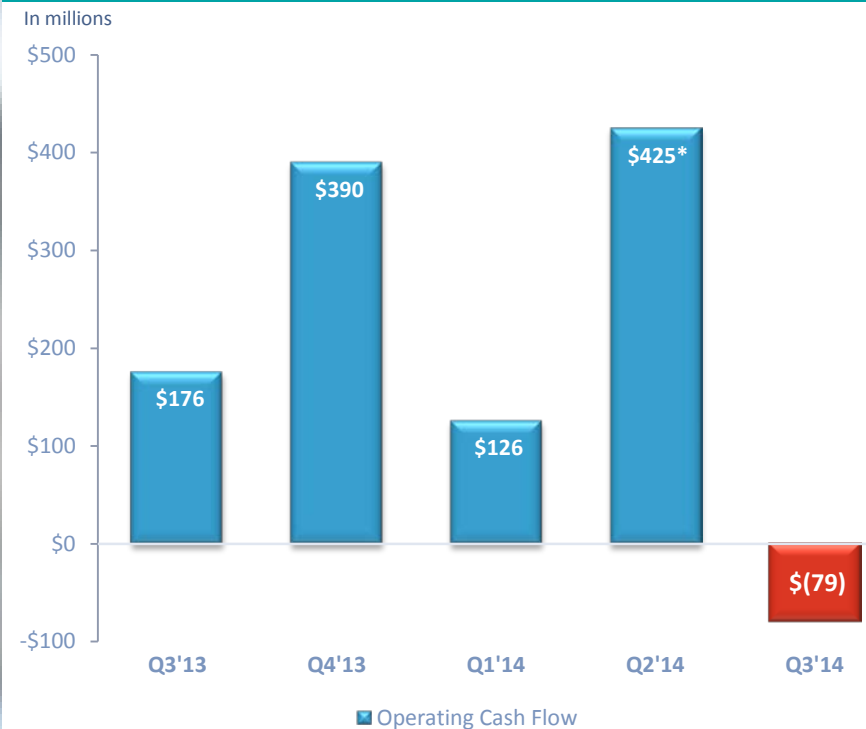
Well Positioned Capital Structure...



- Stable and healthy net cash balances over time.
- Gross cash of \$3.3B, with 26% held onshore.
- Total debt of \$1.35B; well staggered maturities.
- Investment grade credit rating of BBB/Baa2 by S&P/Moody's.

*Cash includes cash equivalents and investments.

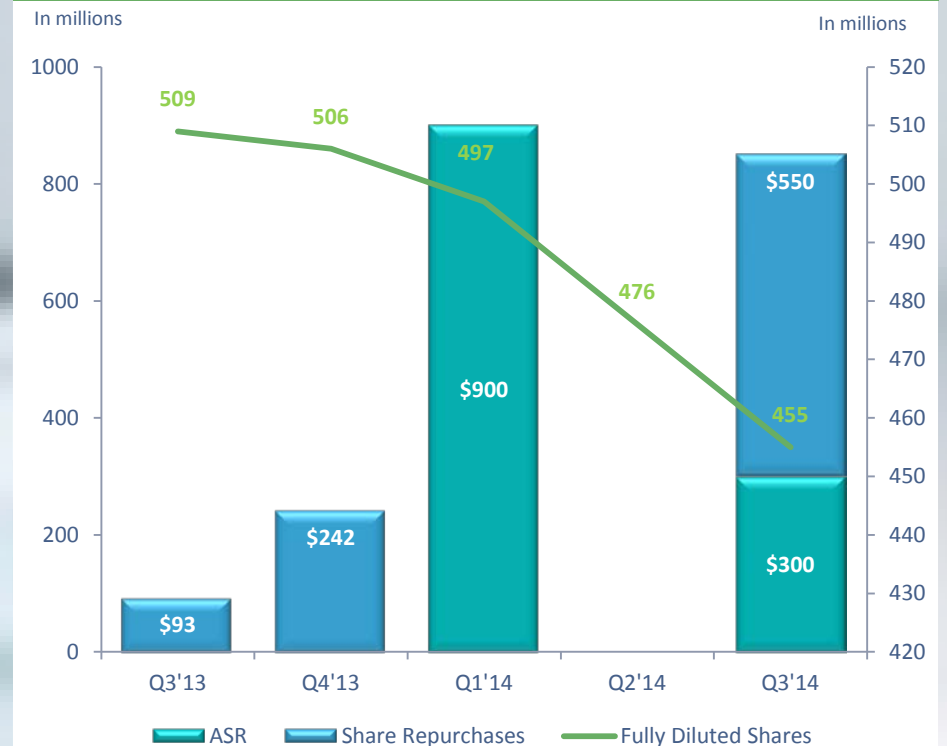
...And Trailing 12-Months of Positive Cash Flow Generation...



- Q3'14 net cash outflow from operations due to timing differences in working capital.
- Expect to return to historical pattern of strong, positive cash flows in Q4.
- Profitability in the business results in healthy operating cash flows of \$0.9B over last 12-months.

*Includes \$75 million from patent litigation settlement

...Resulting in Return of Shareholder Cash

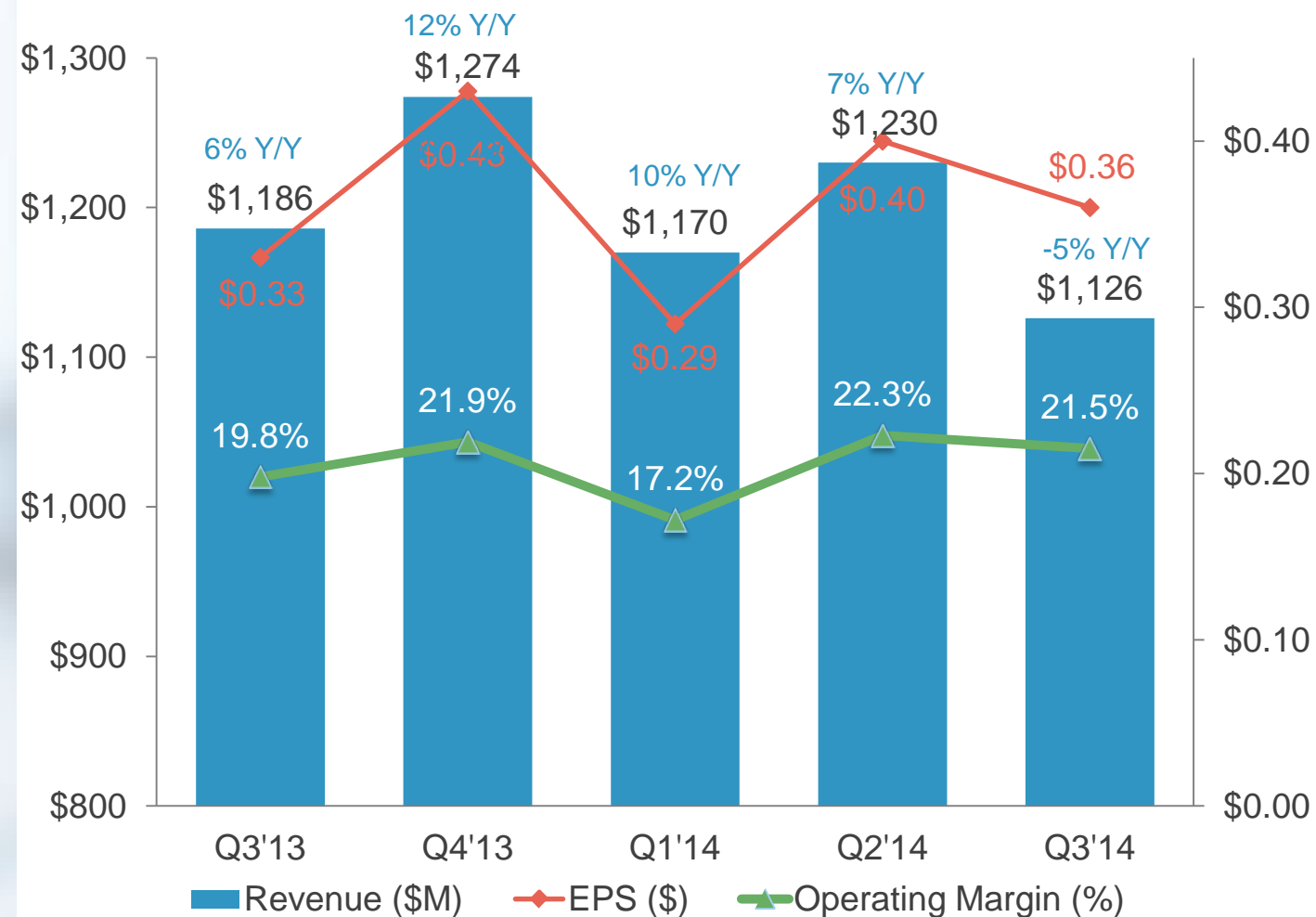


- Successfully completed \$1.75 billion share repurchases from Q1'14 through Q3'14.
- Paid the first quarterly dividend in company history of \$0.10 per share, with intent to grow with earnings.
- \$2.0B of total capital returned over last 12-months.
- 10% reduction to diluted share count since Q4'13.

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Q3 2014 Results

Revenue, Non-GAAP Diluted EPS & Op Margin Trend



Financial Overview

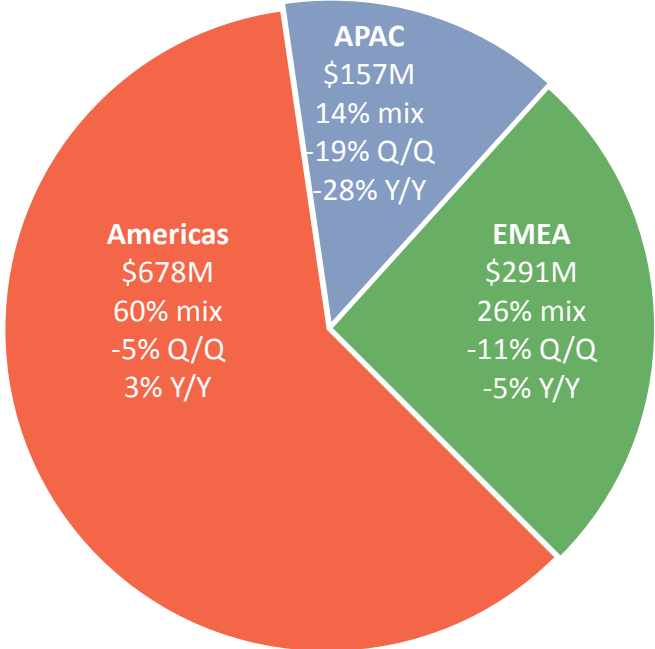
- Revenue decreased 5% Y/Y and 8% Q/Q.
- Non-GAAP Operating Margin of 21.5%.
- 7th consecutive quarter of Y/Y Non-GAAP Diluted EPS growth; increase of \$0.03 Y/Y.

Demand Metrics

- Book-to-bill approximately 1.
- Total product deferred revenue was down \$29M Q/Q primarily due to decreased channel inventory.

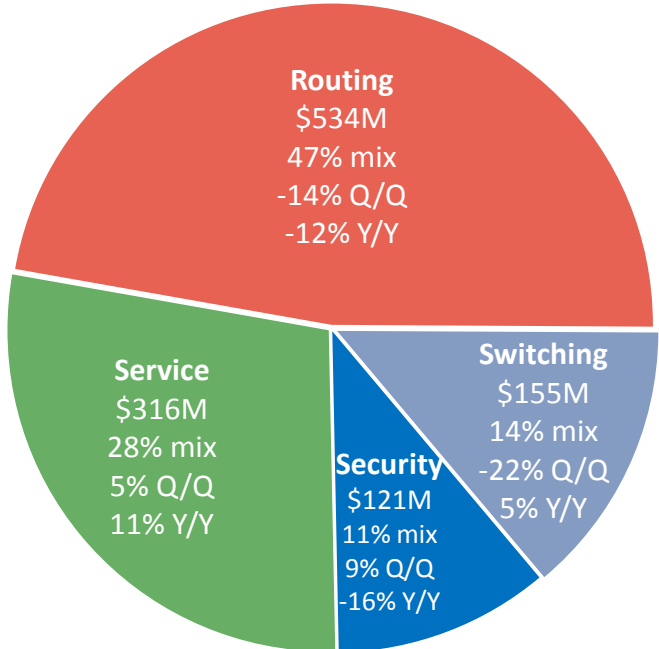
Q3 2014 Revenue Mix

GEOGRAPHY



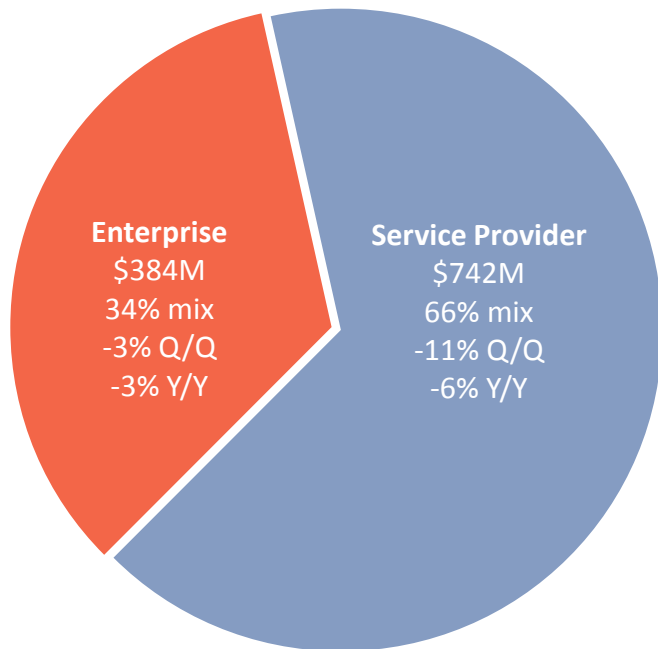
- **Americas:** Weaker demand Q/Q by large carriers and significant reduction in Web 2.0 switching offset by strength in Cable Providers and Web 2.0 routing. Y/Y growth in Web 2.0, Cable providers, and US Federal offset by declines in Carrier demand.
- **EMEA:** Q/Q weakness in Eastern Europe. Y/Y declines in Service Providers in Western Europe and the Middle East.
- **APAC:** Service Provider weakness in China and Japan.

PRODUCT & SERVICE



- **Routing:** Weakness in the carrier market in both core and edge. Good traction with both the PTX and MX2020 product lines. Enterprise routing was healthy.
- **Switching:** Lower demand Q/Q from Web 2.0 and broad-based enterprise customers. Y/Y Service Provider growth in QFX offset by a decline in EX in the broad enterprise market.
- **Security:** SRX platform and security software up 11% Q/Q resulting from increased demand by service providers.

MARKET



- **Service Provider:** Q/Q decline across all three geographies. Y/Y decline in EMEA and APAC, and US carriers offset by a slight increase in the Americas from Web 2.0 and cable providers.
- **Enterprise:** Q/Q decline was partially offset by continued strength in the US Federal market and financial services. Y/Y decrease driven by decline in APAC and EMEA in the broader enterprise market.

Note: Revenue in \$ Millions

Financial Results

Non-GAAP Except Revenue

(in millions, except per share amounts and percentages)

	Q3'14	Q2'14	Q3'13	Q/Q Change	Y/Y Change
Revenue	\$1,125.9	\$1,129.5	\$1,185.6	-8%	-5%
Gross Margin %	65.2%	64.2%	64.4%	1.0 pts	0.8 pts
R&D	215.1	222.9	227.9	-3%	-6%
Sales & Marketing	231.5	241.5	248.1	-4%	-7%
G&A	46.1	50.8	53.6	-9%	-14%
Total Operating Expense	492.7	515.2	529.6	-4%	-7%
Operating Margin %	21.5%	22.3%	19.8%	-0.8 pts	1.7 pts
Net Income	\$165.4	\$190.3	\$166.3	-13%	-1%
EPS (Diluted)	\$0.36	\$0.40	\$0.33	-10%	9%

Q3 2014 Financial Metrics

Cash Position	<ul style="list-style-type: none">➤ Net cash, cash equivalents, and investments of ~\$2.0 billion.➤ Net cash outflow from operations of \$79 million. Expect to return to historical pattern of strong, positive cash flows in Q4.
Share Repurchase	<ul style="list-style-type: none">➤ Successfully completed \$1.2 billion ASR.➤ Repurchased an additional \$550 million of shares in Q3.
Dividend	<ul style="list-style-type: none">➤ Paid inaugural dividend of \$0.10 per share, with intent to grow with earnings.
DSO	<ul style="list-style-type: none">➤ 49 days
Deferred Revenue	<ul style="list-style-type: none">➤ Total product deferred revenue was down \$29 million Q/Q primarily due to channel related inventory.
Headcount	<ul style="list-style-type: none">➤ 9,059, which includes ~200 employees who transitioned as a result of the sale of the Junos Pulse business.➤ Adjusting for the exited Pulse employees, headcount declined 7% versus Q4 2013.

Q4 2014 Outlook*

3 Months Ending December 31, 2014

Revenue

Between \$1,025 million and \$1,075 million.

Gross Margin

64.0%, plus or minus half a percent.

Operating Expense

\$480 million, plus or minus \$5 million

Operating Margin

18.5%, at midpoint of guidance.

EPS

Between \$0.28 and \$0.32 per diluted share.

Tax Rate

Flat to Q3'14 tax rate. ~27%

Share Count

~435 million shares.

Q4 and 2014 Outlook*

3 Months and Year Ending December 31, 2014

(\$ in millions, except per share amounts and percentages)	Q4'14 (Mdpt. of Guidance)	FY'14 (At Q4'14 Mdpt. of Guidance)
Revenue	\$1,050	\$4,576
Revenue (excluding Pulse)	\$1,050	\$4,480
Gross Margins	64.0%	~64.0%
Operating Expense	\$480	\$2,030
Operating Margins	18.5%	Slightly less than 20%
EPS	\$0.30	\$1.35

2015 Outlook*

Revenue	<ul style="list-style-type: none">➤ Taking a cautious and prudent stance given challenging market environment over the next several quarters.
Operating Expense	<ul style="list-style-type: none">➤ \$1,900 million plus or minus \$25 million (\$130 million lower than estimated 2014).
Op Margin/ Earnings	<ul style="list-style-type: none">➤ Significant operating margin expansion and EPS growth.
Capital Return	<ul style="list-style-type: none">➤ Board approved expansion of total capital return commitment to \$4.1 billion.➤ Continue to be opportunistic and aggressive and expect to complete a minimum of \$1.5 billion of aggregate share repurchases before the end of Q2 2015** (inclusive of Q4'14 repurchases).➤ Grow dividends in line with earnings.

15 *All numbers are Non-GAAP, except revenue and share count

**Subject to capital availability and other relevant conditions.

Sale of Junos Pulse Business

- As announced on October 2, 2014, we completed the sale of Junos Pulse.
- As of September 30, 2014, Junos Pulse assets and liabilities are classified as “held for sale” on our consolidated financial statements.
- Goodwill is allocated to the Junos Pulse business based on a preliminary valuation and is subject to change.
- We anticipate recording a GAAP gain on sale in Q4.

Assets & Liabilities Held for Sale (in millions)	Q3'14
Goodwill	\$159.7
Others Assets (Intangibles, Fixed assets and Prepaid assets)	7.2
Total Assets held for sale	\$166.9
Deferred Revenue	\$40.0
Other Liabilities	\$0.5
Total Liabilities held for sale	\$40.5

Total Junos Pulse Revenue Trend By Quarter

\$ in millions	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14
Product Revenue	\$17.6	\$19.3	\$19.7	\$22.4	\$17.6	\$15.9	\$15.4
Service Revenue	\$15.5	\$15.6	\$15.7	\$15.7	\$15.4	\$15.5	\$15.2
Total Revenue	\$33.1	\$34.9	\$35.4	\$38.1	\$33.0	\$31.4	\$30.6

Security Products: Quarterly Revenue Trend

\$ in millions	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14
SRX Platform & Security Software	\$81.7	\$73.1	\$94.6	\$102.4	\$92.8	\$79.6	\$88.5
Screen OS	\$24.5	\$25.4	\$22.6	\$25.8	\$18.3	\$13.2	\$14.3
Other Legacy	\$12.8	\$8.3	\$7.3	\$6.4	\$5.5	\$2.9	\$3.1
Junos Pulse	\$17.6	\$19.3	\$19.7	\$22.4	\$17.6	\$15.9	\$15.4
Total Product Revenue	\$136.6	\$126.1	\$144.2	\$157.0	\$134.2	\$111.6	\$121.3



Appendix

Net Revenues by Product and Service

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
Routing	\$533.2	\$617.8	\$609.0
Switching	155.0	199.8	147.6
Security	121.3	111.6	144.2
Total Product	809.5	929.2	900.8
Total Service	316.4	300.3	284.8
Total	\$1,125.9	\$1,229.5	\$1,185.6

GAAP to Non-GAAP Reconciliations

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
GAAP gross margin – Product	\$519.5	\$569.9	\$575.3
GAAP product gross margin % of product revenue	64.2%	61.3%	63.9%
Share-based compensation expense	1.3	1.3	1.4
Share-based payroll tax expense	—	0.2	—
Amortization of purchased intangible assets	7.1	8.4	6.5
Restructuring and other (credit) charges	—	13.8	6.1
Memory-related, supplier component remediation charge	7.0	13.7	—
Non-GAAP gross margin – Product	\$534.9	\$607.3	\$589.3
Non-GAAP product gross margin % of product revenue	66.1%	65.4%	65.4%

GAAP to Non-GAAP Reconciliations

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
GAAP gross margin – Service	\$195.3	\$178.3	\$171.2
GAAP service gross margin % of service revenue	61.7%	59.4%	60.1%
Share-based compensation expense	3.6	3.1	3.4
Share-based payroll tax expense	0.4	0.4	0.1
Non-GAAP gross margin – Service	\$199.3	\$181.8	\$174.7
Non-GAAP service gross margin % of service revenue	63.0%	60.5%	61.3%

GAAP to Non-GAAP Reconciliations

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
GAAP gross margin	714.8	748.2	746.5
GAAP gross margin % of revenue	63.5%	60.9%	63.0%
Share-based compensation expense	4.9	4.4	4.8
Share-based payroll tax expense	0.4	0.6	0.1
Amortization of purchased intangible assets	7.1	8.4	6.5
Restructuring and other (credit) charges	—	13.8	6.1
Memory-related, supplier component remediation charge	7.0	13.7	—
Non-GAAP gross margin	\$734.2	\$789.1	\$764.0
Non-GAAP gross margin % of revenue	65.2%	64.2%	64.4%

GAAP to Non-GAAP Reconciliations

	Three Months Ended		
	Q3'14	Q2'14	Q3'13
(in millions, except per share amounts and percentages)			
GAAP research and development expense	\$253.2	\$255.5	\$264.6
Share-based compensation expense	(37.1)	(31.6)	(36.6)
Share-based payroll tax expense	(1.0)	(1.0)	(0.1)
Non-GAAP research and development expense	\$215.1	\$222.9	\$227.9
GAAP sales and marketing expense	\$249.2	\$258.0	\$269.5
Share-based compensation expense	(15.9)	(14.4)	(20.4)
Share-based payroll tax expense	(0.7)	(1.0)	(0.2)
Amortization of purchased intangible assets	(1.1)	(1.1)	(0.8)
Non-GAAP sales and marketing expense	\$231.5	\$241.5	\$248.1

GAAP to Non-GAAP Reconciliations

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
GAAP general and administrative expense	\$55.0	\$60.6	\$61.4
Share-based compensation expense	(7.4)	(8.9)	(7.5)
Share-based payroll tax expense	(0.2)	(0.1)	—
Amortization of purchased intangible assets	(0.3)	(0.3)	(0.3)
Acquisition/divestiture-related charges	(1.0)	(0.1)	—
Professional services related to non-routine stockholder matters	—	(0.4)	—
Non-GAAP general and administrative expense	\$46.1	\$50.8	\$53.6

GAAP to Non-GAAP Reconciliations

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
GAAP operating expense	\$542.4	\$632.3	\$601.5
Share-based compensation expense	(60.4)	(54.9)	(64.5)
Share-based payroll tax expense	(1.9)	(2.1)	(0.3)
Amortization of purchased intangible assets	(1.4)	(1.4)	(1.1)
Restructuring and other (credit) charges	15.0	(58.2)	(6.0)
Acquisition/divestiture-related charges	(1.0)	(0.1)	—
Professional services related to non-routine stockholder matters	—	(0.4)	—
Non-GAAP operating expense	\$492.7	\$515.2	\$529.6

GAAP to Non-GAAP Reconciliations

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
GAAP operating income	\$172.4	\$115.9	\$145.0
GAAP operating margin	15.3%	9.4%	12.2%
Share-based compensation expense	65.3	59.3	69.3
Share-based payroll tax expense	2.3	2.7	0.4
Amortization of purchased intangible assets	8.5	9.8	7.6
Restructuring and other (credit) charges	(15.0)	72.0	12.1
Memory-related, supplier component remediation charge	7.0	13.7	—
Acquisition/divestiture-related charges	1.0	0.1	—
Professional services related to non-routine stockholder matters	—	0.4	—
Non-GAAP operating income	\$241.5	\$273.9	\$234.4
Non-GAAP operating margin	21.5%	22.3%	19.8%

GAAP to Non-GAAP Reconciliations

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
GAAP income tax provision	\$62.0	\$73.4	\$38.4
GAAP income tax rate	37.4%	24.9%	27.9%
Income tax effect of non-GAAP exclusions	(0.8)	(6.5)	18.6
Non-GAAP provision for income tax	\$61.2	\$66.9	\$57.0
Non-GAAP income tax rate	27.0%	26.0%	25.5%

GAAP to Non-GAAP Reconciliations

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
GAAP net income	\$103.6	\$221.1	\$99.1
Share-based compensation expense	65.3	59.3	69.3
Share-based payroll tax expense	2.3	2.7	0.4
Amortization of purchased intangible assets	8.5	9.8	7.6
Restructuring and other (credit) charges	(15.0)	72.0	12.1
Memory-related, supplier component remediation charge	7.0	13.7	—
Acquisition/divestiture-related charges	1.0	0.1	—
Professional services related to non-routine stockholder matters	—	0.4	—
Loss (gain) on equity investments	1.6	—	(3.6)
Gain on legal/contract settlement, net	(10.8)	(195.3)	—
Other	1.1	—	—
Income tax effect of non-GAAP exclusions	0.8	6.5	(18.6)
Non-GAAP net income	\$165.4	\$190.3	\$166.3

GAAP to Non-GAAP Reconciliations

(in millions, except per share amounts and percentages)	Three Months Ended		
	Q3'14	Q2'14	Q3'13
GAAP diluted net income per share	\$0.23	\$0.46	\$0.19
Non-GAAP diluted net income per share	\$0.36	\$0.40	\$0.33
Shares used in computing diluted net income per share	454.8	476.5	508.6

Thank You
