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## PRESENTATION

### Operator

Greetings, and welcome to the Juniper Networks fourth quarter 2013 financial results conference call.

(Operator Instructions)

As a reminder, this conference is being recorded. I would now like to turn the conference over to Ms. Kathleen Nemeth Vice President of Investor Relations. Thank you Ms. Nemeth, you may begin.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Thank you, operator. Good afternoon, and thank you everyone for joining us today. Here on the call are Shaygan Kheradpir, Chief Executive Officer, and Robyn Denholm, Chief Financial and Operations Officer. Rami Rahim, Executive Vice President, Platform Systems Division, will join us for the Q&A portion of the call.

Please remember when listening to today's call that statements concerning Juniper's business outlook, economic and market outlook, strategy, future financial operating results, and overall future prospects are forward-looking statements that involve a number of risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including economic conditions generally, or within the networking industry, changes in overall technology spending, and spending by communication service providers and major customers, 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, rapid technological and market change,



litigation, the potential impact of activities related to the execution of Juniper's integrated operating plan, and other factors listed in our most recent 10-Q and the press release furnished with our 8-K filed with the SEC today.

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 change after the date of the call.

In discussing the financial results, 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 our management team considers non-GAAP information a useful view of the Company's financial results, please consult the press release furnished with our 8-K filed with the SEC today. For the detailed reconciliation between GAAP and non-GAAP results, please see the Investor Relations section of our website.

On today's call, Robyn will also be providing forward-looking guidance. As a reminder, guidance is provided on a non-GAAP basis, other than that with respect to 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 non-GAAP guidance estimates.

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 Shaygan.

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**Shaygan Kheradpir** - *Juniper Networks Inc - CEO*

Thank you Kathleen, and thank you all for joining us today. I'm pleased to be here on my 23rd day at the Company and on my first quarterly conference call with you. It's an honor to be selected as Chief Executive Officer of Juniper and to lead the Company at this exciting time.

My first three weeks have been busy. I have and will continue to engage with our customers, employees, investors, and other key stakeholders. I'm actively reviewing the Company's business lines, operating model, and capital structure.

We are building up a strong base. We delivered record revenue this quarter, good growth on year-over-year basis, and a strong book-to-bill. I continue to see substantial opportunities for Juniper to grow and deliver value.

As you will hear shortly, my initial priorities are centered around developing an integrated operating plan, which is focused on profitable growth and shareholder value creation. I will present the details of this plan to you more fully in a few weeks.

Before I hand it to Robin, I want to share with you why I made the decision to join Juniper and provide some insight into my and my team's initial priorities. First, I see a great opportunity with an iconic and pioneering company that has phenomenal assets, technology, and people that can address our customers' most pressing requirements. Juniper uniquely leverages its strength in systems, silicon, and software to build the kind of networks that fit where our customers want to be, and importantly where the market is evolving to: high performance, agile, secure, automated, context-aware networks in an open framework.

I know this because I've been in this industry for 27 years as a customer in both the service provider and enterprise sectors. I understand intimately their environments and imperatives for new revenue growth, speed to market, service quality, operational and capital efficiency, and how to put Juniper's portfolio to work in powerful ways that matters to customers.

To achieve this, Juniper needs to be the leading provider of high IQ networks and best-in-class cloud builder, where the network is the most sensitive piece of the puzzle and has to be the first mover. I intend to play an active role in guiding this transition.

But I am also here as an agent of change. Specifically, I believe I can leverage my operational experience, as well as my deep engineering and technology background to drive effective and efficient business operations and lead Juniper through the changes required to reach its full potential. In short, this is an outstanding platform from which to deliver a great customer value proposition and substantial shareholder value.



Since arriving at Juniper, I've been interacting with the key stakeholders and analyzing our revenue streams, including what customers are buying and for what use cases. This information reaffirms my view of where the markets are headed and where Juniper has the most significant competitive advantage.

I can see our heritage, secure, high-performance networking, open architectures, and deep engineering talent converging with this future. This I believe will position Juniper as a world-class provider of innovative, high IQ networks and cloud builder across our customer base.

This includes not only our strong base of service providers and public sectors customers, but also newer customer segments, such as web 2.0, cable, content, and financial services, as well as other customers who all want clouds and high IQ networks.

I also recognize that we have work to do. So my team and I are already hard at work developing an integrated operating plan that addresses three key priorities. Firstly, we are tailoring our strategy to focus on innovation that matters to our customers and where we excel, bringing in the outside in customer imperatives. I intend to restore Juniper's focus on thoughtful, highly value-accretive innovation, and rebuild the get-it-done culture that unleashes the talent of our people.

Additionally, we will implement a more efficient cost structure, commensurate with our strategic focus and the competitive environment, resulting in reduced costs. I will be taking a three-pronged approach: focused R&D that matters, radical simplification on automation, and right-sizing. We will do this in a smart way with an eye towards returns on investment and focusing on the cost drivers, such as operational leading indicators. This is something I've done before, and I'm confident can be effectively implemented at Juniper.

Lastly, we've been taking an in-depth look at our future cash flows and capital structure to assess how we can best return capital to shareholders while still maintaining the financial flexibility to invest for future growth. We are actively evaluating the capital return policy, which includes level of share repurchases and dividends.

While the Company has been working on the areas of cost structure and capital return for some time, since I've joined the team and I have been full-on on strategy, cost structure, and capital return, and the resolve to deliver meaningful results in this area. We will do this with an emphasis on disciplined execution on business fundamentals.

I look forward to announcing and sharing with you the details of our integrated operating plan in the next few weeks. You have my commitment that the plan we present you will be well considered, specific, and achievable.

I also look forward to spending additional time with our shareholders and analysts in the coming weeks. As we have said previously, we are very interested to continuing a constructive and open dialogue with our shareholders. ¶ I've been talking about what I've been doing and will continue to do in the next few weeks. As I indicated, Juniper had a strong Q4, and I now hand it to Robyn to take you through the details.

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**Robyn Denholm** - Juniper Networks Inc - Chief Financial and Operations Officer

Thank you Shaygan, and good afternoon everyone. I'm pleased to report that our Q4 2013 results reflect strong sequential and year-over-year revenue and earnings growth. We had a record revenue quarter driven by strength in both service provider and enterprise.

Non-GAAP earnings increased sequentially due to higher revenues, partially offset by higher variable operating expenses. In the fourth quarter we completed the restructuring actions that we announced 90 days ago. We have been comprehensively analyzing our cost structures in the context of our strategy, and as noted by Shaygan, we will provide additional details on our integrated operating plan in the coming weeks.

Looking at our demand metrics, we had a very strong bookings quarter, with book-to-bill greater than 1, and net backlog at a very healthy \$471 million. While total deferred revenue was up \$48 million quarter over quarter, product deferred revenue was down \$35 million sequentially, primarily due to strong channels sales resulting in lower ending channel inventory and the timing of certain future releases.



Total revenue was \$1.274 billion, up 7% sequentially and 12% year over year. Product revenue was up 8% quarter over quarter and 15% from a year ago. Services revenue was also strong at \$300 million, up 5% sequentially and 2% year over year.

For the full fiscal year of 2013, total revenue was \$4.669 billion, up \$0.07 year over year. There were no 10% customers in Q4 or for the full fiscal year, which reflects the continued diversity of our business.

For the quarter, GAAP diluted earnings per share was \$0.30, including a \$0.04 pretax impact from restructuring charges and a \$0.04 benefit from a lower tax rate. Non-GAAP diluted earnings per share were \$0.43, up \$0.10 sequentially an increase significantly \$0.15 year over year. The sequential growth was driven primarily by high revenue and operating margins, which were at their highest levels since Q1 of 2011.

For the full fiscal year, GAAP diluted earnings were \$0.86, up \$0.51 for the year. Non-GAAP diluted earnings were \$1.28, up by \$0.43, or 51%, year-over-year.

Now, let me provide color on revenue by region, market, and product area. Americas revenue was up 4% sequentially and up 13% year over year. Americas service provider revenue was down 2% sequentially and up 6% year over year. The trend in bookings, however, was notably different, as we saw strong bookings in the Americas service provider business, up more than 50% quarter over quarter.

We continue to see strength across the customer base, especially in cable and content, or web 2.0 providers. Americas enterprise grew strongly at 16% sequentially and 29% year over year, driven by strong performance in both financial and federal sectors.

EMEA revenue was up strongly at 17% sequentially and 6% year over year. The sequential growth was driven by strong service provider performance in Germany, UK, and Eastern Europe. EMEA enterprise also rebounded nicely in the quarter.

APAC increased 5% sequentially and 18% over Q4 last year. Both service provider and enterprise grew in the region. While we are encouraged by the performance in the quarter, there's still some work that needs to be done to get the region growing on a more consistent basis. Service provider revenue for the quarter was \$827 million, up 5% sequentially and 12% year over year, with good new design wins across all three theaters. Enterprise revenue was \$447 million, up 12% sequentially and 11% year over year, with broad-based strengths across the customer verticals.

For the full fiscal year, service provider revenues were \$3.054 billion, up 9% and enterprise revenue was \$1.615 billion, up 4%. While the growth was across all customer segments, content and cable were the key drivers. It is worth noting that over 50% of the total revenue growth in 2013 came from the web services content and cable customers.

Now, let me review our revenue by product area. Total router product revenue of \$618 million was up 1% sequentially and 16% year-over-year. While routing revenue in the quarter was healthy, bookings were very strong and grew over 20% sequentially and over 30% year over year, driven by MX and PTX product lines. In addition, our newly released MX104 router is off to a solid start. For the full year, router product revenue grew 14%.

Total switching product revenue was a record \$199 million, up 35% sequentially and 36% from a year ago. This was driven by strong sales of EX and QFabric, and we are very pleased that the EX design wins with top enterprise and service provider customers and key data center wins, which resulted in significant sequential and year-over-year increase in QFabric revenue.

In the quarter, we also shipped the QFX 5100 topographic switch, and expect it to be a very good contributor to our switching portfolio going forward. For the full year, switching product revenue grew 15%.

Total security product revenue was \$157 million, an increase of 9% sequentially. Bookings also increased sequentially for the third quarter in a row.

We saw a moderation in the decline on a year-over-year basis to 7%. As I've noted in the last couple of quarters, we've begun to see good signs in this business, and customer feedback is encouraging. So while revenue for the full year was down by 16%, the last few quarters of demand indicated that we are in the midst of a turnaround.

Our new products, as designated by the financial analyst meeting in 2012, including the T4000 PTX, QFabric MobileNext, and ACX generated slightly less than \$140 million of bookings in Q4, short of our goal of \$150 million. Since we set the goal, we eliminated the MobileNext product and have also introduced a number of new product lines not included in the above goals.

Moving onto gross margins and operating expenses. Non-GAAP gross margins for the quarter was 64.2%, compared to 64.4% last quarter and 65.3% a year ago. Non-GAAP product gross margins was 64.9%, down slightly over the last quarter, mainly due to product mix. Non-GAAP services gross margins were 61.9%, up 0.6 points from last quarter.

Non-GAAP operating expenses were \$539 million, an increase of \$10 million sequentially, and higher than we expected. This increase was primarily due to high commission-related costs due to the higher demand, and an increase in legal expenses. Absent these items, our operating expenses would have declined sequentially.

I had mentioned at the last earnings call that we would be undertaking some restructuring and rebalancing actions in the fourth quarter. We executed to that plan and eliminated 248 positions, of which 112 were in R&D and 95 in sales and marketing. We ended the quarter with 9,483 heads, down 231 heads, or 2% sequentially. In the quarter we took a \$18.9 million restructuring charge, of which \$13.9 million was related to headcount actions.

For the full year, operating expenses were \$2.102 billion, or 45% of revenue, down from \$2.124 billion, or 48.7% of revenue for the 2012 year. This reduction was in spite of legal expenses in the year that were approximately \$30 million higher than expected.

As Shaygan outlined, we are focusing on making changes to the overall cost structure, and will present that plan to you in a few weeks. Non-GAAP operating margin for the quarter expanded to 21.9% compared to 19.8% last quarter, and up strongly over the 18.2% last year.

The sequential increase was driven by higher revenue and an improvement in operating expenses as a percentage of revenue. For the full year, operating margin expanded by 23% to finish at 19.2% for the year.

The non-GAAP tax rate was 18.8% compared to 25.5% last quarter. This improvement is primarily due to the geographic mix of income and some one-time items.

Looking at the balance sheet, we ended the quarter with \$3.1 billion of net cash and investments. We generated strong operating cash flows of \$390 million, due to the higher operating margins and our continued focus on the cash conversion cycle.

Q4 DSO was 41 days, down from 42 days last quarter. Capital expenditures were \$50 million, while depreciation and amortization expense were \$45 million.

We repurchased 11.8 million shares for \$242 million at an average price of \$20.47. We had \$1 billion remaining on our current authorization. As Shaygan previously noted, we've been working on our capital allocation policy, and we will present this strategy along with our integrated operating plan in the next few weeks.

Now, I will review our outlook for Q1 of 2014. As a reminder, these metrics are provided on a non-GAAP basis, except for revenue and share count.

We believe that the underlying demand trend for our markets will remain healthy in 2014. We expect the March quarter to reflect typical seasonality in the top line, and as a reminder we see a Q1 increase in OpEx as a result of the impact of FICA taxes.

We also expect legal expenses to continue at their elevated levels that we've seen since Q3 of last year. Please note that our outlook for March does not include the potential impact of activities related to the execution of our integrated operating plan, which we will be sharing with you within the next few weeks.



For the first quarter of 2014, we expect revenues to range from \$1.120 billion to \$1.160 billion. At the midpoint, this reflects a growth of 8% year over year, highlighting our expectation of continued momentum in the underlying demand.

At the midpoint of guidance, gross margins are expected to be in the range of 64% plus or minus 0.5%. Operating expenses are expected to be flat to slightly down from the fourth quarter. At the midpoint, operating margins are expected to be approximately 17%.

This is expected to result in non-GAAP diluted EPS of between \$0.27 and \$0.30 per share, and assumes a flat share count. We expect a tax rate of approximately 25%, assuming that the R&D tax credit is approved by the end of March. If it's not approved, the tax rate may be higher by 1.5 percentage points, and would impact EPS by about \$0.01.

To summarize, we anticipate overall demand to remain healthy. We will continue to focus on our innovation and our operational excellence objectives.

I would like to thank our employees for their continued dedication and commitment to Juniper's success. Now with that, let me turn it back to Shaygan for some final thoughts before we take your questions.

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**Shaygan Kheradpir** - *Juniper Networks Inc - CEO*

Thank you, Robyn. I'm excited to begin this journey with you and leverage my experience and expertise as a customer and operating executive and a technology innovator to drive value for all of our stakeholders.

I very much look forward to meeting with you, listening to you, and presenting our integrated operating plan in a few weeks. Now to the operator for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

The first question comes from Ehud Gelblum, Citi.

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**Ehud Gelblum** - *Morgan Stanley - Analyst*

Shaygan, welcome to the party. Hello, Robyn. A couple questions. Clearly on the revenue side, guys, switching was incredibly impressive. Strong as it's been in, certainly from a growth perspective, in forever.

QFabric seems to be doing very well. Can you give some insight as to what got QFabric going now? And is all top-of-rack switches, is it just -- I mean, are they actually deploying real QFabric, are they using the top-of-rack switches instead of EX?

Was there a new sales plan? Was there growth in the far channel? Was it new products? Or something that really -- what really got QFabric going? If you could give us a little bit of insight on the security side, which was nice and strong as well? Was there new products, was it something of that sort, to give us a sense.

Then Shaygan, you've been here now for, I guess, 2 1/2 weeks. You said you're going to come out with a much larger plan, on -- business model on the Company going forward. Clearly, there is an activist involved that might be leading you to that. Do think coming out in five to six weeks after you got there is the right time, or would you actually rather have had longer to take a look at the Company and maybe come out with a plan,



maybe 12 to 15 weeks? If so, should we be looking for successive revisions to whatever you're coming out with as we go forward and you learn more about the Company? Thank you.

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**Shaygan Kheradpir** - Juniper Networks Inc - CEO

Hi, Ehud. Good speaking with you. I will take both of those questions, and I'm going to pass them to Rami and Robyn. They can drill in on your switching question.

First of all, I came into the Company, of course, being 25 years in the industry as a technology builder and as an operator. So I have a great deal of understanding of what the customers are really looking for, and more importantly, where they're going. In fact, that's connected to the switching question as well, which I will come back to.

Obviously, I spent my last three years at an investment bank with my telecom expertise. So I came in with a lot of thoughts and understanding of the Company. From the second that I was announced, I've been working myself, and since January 1. We are in full motion getting started here. As far as, and I will pass to Rami, I think the very first thing I did, Ehud, when I came here, I have been peppering everybody with questions.

Yes, we know they bought. They are buying a lot. Who is buying and why? The why piece of it has pretty much reaffirmed what I thought from a customer angle, which is people are buying pretty much the same things across multiple customer sets for the same reason, which is everybody's trying to build what I call high IQ networks and cloud ecosystems. As you see in our switching results and our now security results, it sort of jumps out. Those are key components of high IQ networks and cloud ecosystems.

We will have a lot more time to talk about this when I meet you all. I will now pass to Rami to drill in on Ehud's switching question.

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**Rami Rohim** - Juniper Networks Inc - EVP Platform Systems Division

Sure. Thanks Shaygan, and thanks for the question, Ehud. On the switching side, first of all, yes. We are certainly very pleased with the results that we saw in Q4.

A couple of things that I will say. Over the last year or so, you know that we have been in the process of essentially integrating our two separate switching business units. As a result of doing that, we not only streamlined the portfolio, we actually simplified the portfolio and focused it on the most pressing problems that our customers are solving today. If you take a look at the result, a lot of the performance that we saw came from that hard work and new products that we introduced just last year, like the EX 4300, the EX 9200 are both examples of those product.

Then from a market dynamic standpoint, we have large customers now, both on the service provider and the enterprise side, that are building cloud network that require the kind of high performance products that we are developing, and they love not only the product themselves, but the tie-in that we have developed with our SBM solutions, whether it be Contrail or with our partner SBM solutions like VMware.

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**Robyn Denholm** - Juniper Networks Inc - Chief Financial and Operations Officer

Just to add to that on the security side, we saw good growth sequentially, in terms of security. We moderated the decline year over year. What's driving that growth is the same that's been driving the bookings growth over the last couple of quarters and that is high-end SRX. It comes back to the thing that both Rami and Shaygan talked about in terms of data center and what we're doing with our service provider customers as well as our enterprise customers. So that is what drove the growth this quarter, the high-end SRX.

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**Kathleen Nemeth** - Juniper Networks Inc - VP, IR

Thank you. Next question, please.

**Operator**

Next question is from Amitabh Passi of UBS.

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**Amitabh Passi** - *UBS - Analyst*

Hi, thank you. Shaygan, welcome.

Robyn, I was just trying to reconcile the commentary around strong bookings with what appears to be slightly sub-seasonal guide. You are guiding revenues down 10%, 11%. I think the last three, four years it's been down 7%, 8%. I would love to get some incremental insight. Was there some one-off orders you saw, or revenues this quarter that you think won't repeat? Would love to get some clarity on the guidance relative to the bookings commentary.

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**Robyn Denholm** - *Juniper Networks Inc - Chief Financial and Operations Officer*

Thanks, Amitabh. On the actual guidance for Q1, at the midpoint of guidance what we are reflecting is an 8% year-over-year growth. Our perspective is that the business is healthy across the board. We've got good design wins in all three geographies across the business areas. In Q1 it typically does take us a little time to get moving, if you like. But we are very pleased with the demand fundamentals that we have across all three areas of the business.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Thank you. Next question, please.

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**Operator**

The next question is from Ben Reitzes of Barclays.

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**Ben Reitzes** - *Barclays Capital - Analyst*

Great, thanks a lot. My question is for Shaygan. Shaygan, I wanted to ask, have you, within the plan, not that you can go through the details, but is there any feeling about the product line at Juniper in your initial thoughts? Are you wed to any products? Or is everything deserve a full look?

And then just my second part of the question, if you don't mind is, you went through the three points you will address in the plan. I was just wondering if accountability will be part of it? And you will tell us how we can hold you accountable for whatever we do here to make sure that the promise is fulfilled, sir? Thanks.

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**Shaygan Kheradpir** - *Juniper Networks Inc - CEO*

Hi, Ben, and also hi to Amitabh. I'll look forward to seeing you both shortly. As far as the, I start with the second one. Accountability is one of the big tenants of our plan, which is, we are going to have a detailed integrated operating plan which includes who is going to do what, when are they do it, and discrete milestones that we can have with tangible observables and make sure we are on course.

The reason it's integrated, and we can't do this thing in piece parts, as you well know, Ben is that it starts with, what is your strategy? Where can you win? That goes into what customers want. Where are the markets going? Where are the strength that you can win in those markets?



We have to get that down, and we've got a lot of progress already on that, and there's good convergence and thinking with the team. So that's on that. That flows into your structure, your company structure. That flows into your cost structure. The cost structure, you probably have an unfair advantage because you are from Barclays. It sounds similar, right?

We focus on markets. We focus on automation and process improvement, 21st century industrialization. You would know that term. Then you focus on right-sizing, to make sure we are sized right for the anticipated volume of the business. All of these things gets wrapped in. From there, you flow into return of capital. And you wrap it all in, in an integrated plan, detailed milestones with hard accountability. And you can hold us accountable quarter after quarter for results.

I'm holding my team accountable, personally for their pieces, and we know how to do this, and I've done this all my career. The team here is excited and energized to hit the afterburner button, so to speak. So be assure of that.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Thank you, next question, please.

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**Operator**

The next question is from Subu Subrahmanyam of The Juda group. Please go ahead.

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**Subu Subrahmanyam** - *The Juda Group - Analyst*

Thank you. I wanted to understand, Robyn, a little bit more on the routing side. Routing growth, you had mentioned orders had grown much more strongly than revenues, if you could clarify that. Then US service provider down, and traditionally seasonally very strong quarter. Could you just talk about what the dynamics behind that were?

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**Robyn Denholm** - *Juniper Networks Inc - Chief Financial and Operations Officer*

Yes. Thank you, Subu. In terms of your question, from a routing perspective, we were very pleased with the routing performance in the quarter in terms of the sequential increase and year-over-year increase. We had a 1% increase sequentially off a record quarter last quarter for routing and a 16% year-over-year increase.

The strength of that is amplified in the bookings. That's why I called it out. The trend on revenue, as you know, sometimes follows the trend in bookings but not always. Because in terms of the one-quarter view. So, I wanted to add some color in terms of the bookings in routings, which were very strong. As I said, they were up over 20% sequentially and over 30% year over year. The team has done a very good job on driving the design wins to bookings in the quarter from a routing perspective.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Wonderful. Next question, please.

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**Operator**

The next question is from Paul Silverstein of Cowen & Co. Please go ahead.



**Paul Silverstein** - *Cowen and Company - Analyst*

Great. Thank you very much. Two quick questions if I may. First off on the security. I thought I heard you call out the high-end SRX in particular is driving the security. My question to you on security is given the historical lumpiness of the high-end SRX and your efforts in the branch SRX, can you share with us insight on the progress with branch SRX?

And the other question, on the Cirrus fighter routing piece, can you comment on the competitive landscape in pricing, in particular Alcatel-Lucent and Huawei, as well as the new system core routers, if that's having any impact on the landscape?

Thanks very much.

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**Robyn Denholm** - *Juniper Networks Inc - Chief Financial and Operations Officer*

Thanks, Paul. I will comment first on security and then I'll hand it over to Rami in terms of the competitive landscape in routing.

If you look at security, we've had three quarters in a row now of good, sequential bookings growth. It is coming from the high-end SRX. As we've talked about, that product set, we sold both into service provider and into enterprise. The service provider buildouts are lumpy, as we've called out before. What drove the growth this quarter was actually enterprise, was the predominant reason for the high-end SRX increase.

We've talked about it in prior quarters in terms of some bookings momentums on the data center side. But on the revenue side, that is what was behind the growth in high-end SRX this quarter. So on the routing competitive dynamics, Rami?

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**Rami Rohim** - *Juniper Networks Inc - EVP Platform Systems Division*

Certainly. The competitive situation for routing hasn't really changed. This remains a very competitive industry.

So the way in which we compete is essentially the same. In the edge, for example, it's about having a single unified, the most complete, the most scalable, highest performance, universal edge, which is EMX, which is really growing nicely for us and competing very well there, both with incumbents income and new players.

In the core, yes, there are different dynamics that are happening here. Certainly there are incumbents and new challenges that are coming in. But I would say that that has not, again, changed the way in which we compete. It's a high leverage strategy using our massive T-series deployed base. It's an architectural approach to packet optical transport with our PTX, and we are actually seeing some pretty good early momentum with the MX2020 for high service rich cores around the world.

In certain geos, like you mentioned, there are geo-specific competitors, like in Asia, and there it is just about being laser focused on the areas where we believe that we have the highest amount of technical differentiation. That's why we are successful.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Thank you. Next question, please.

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**Operator**

Thank you. The next question is from Simona Jankowski of Goldman Sachs. Please go ahead.

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**Simona Jankowski** - *Goldman Sachs - Analyst*

Hi. Shaygan, I had a question for you. You talked about your views on strategy influencing your approach to cost cutting and right-sizing the business. I just wanted to ask you if at a high level you still view the strategy of staying in both service provider and enterprise as the correct strategy for Juniper?

Then conceptually, how you think about businesses in which you may have a relatively small market share, such as switching for example, in which your share is about 3%. Is that the kind of scale that you think is sufficient to keep investing in the business?

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**Shaygan Kheradpir** - *Juniper Networks Inc - CEO*

Hi, Simona. Good speaking with you. Look forward to meeting you.

We have, as part of the integrated operating plan, we have one big workstream around our R&D. So, I'm actually personally involved in that one, too, given my engineering background and the background in networks. What I would tell you, Simona, is when I entered here -- we do all the work and then we'll present you in three weeks or four weeks, or whenever that is, in a matter of weeks.

But we, what customers are buying, the customer says, we are looking at, and I count them. This is from my perspective coming from the customer side. These are not necessarily taxonomy that some of you may have used in the past.

You've got our great service provider customers, which is like AT&Ts and Verizons and BT and DT and down the chain. You have those sorts of customers. Then you move into the cable and content, and then web 2.0 customers, like Google and Amazon and the rest. Then you move into special enterprises, yours being one, Goldman Sachs, and all the companies that are represented on this call.

Those four sets of customers, with a little bit -- maybe a few others like Federal Government and so forth, they pretty much are all coalescing around the same set of things as far as networking is concerned, which is clouds and high IQ networks. Rami talked about, and Robyn talked about the key components, MX, QFabric, PTX, SRX, with a big brain called Contrail.

Essentially that's what people want to buy because they're trying to solve some very specific business problems that we will get into when we sit down with you and go over it. So the markets are changing for a set of these customers, and we just have to make sure that we will be able to win, and win big in these markets, given the heritage of high performance networking, only really pure-play company out there in IT networking in high performance, in an open architectures, carrier-grade, super big SRX, so it's defending the cloud and so forth and so on.

In fact, this was my view when I came in as a customer, being on both sides, operating obviously are Barclays and (inaudible) Verizon, and in fact, the buying of what people are buying and the mix is sort of confirming that. Now as I said last quarter, this has to continue, but it has certain logic to it. So, I think that's what's in my mind, if that helps.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Thank you. Next question.

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**Operator**

Thank you. The next question is from Simon Leopold of Raymond James. Please go ahead.

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**Simon Leopold** - *Raymond James & Associates - Analyst*

Great. Thank you very much. I want to ask what I think is a pretty quick one, and then maybe more involved. First for Shaygan. If you could just maybe articulate how the activists have either influenced you are not influenced you starting in on your job?

Then I wanted to follow up on the guidance, in that you highlight a number of areas with very strong bookings. So, that leads us to try to figure out what is weak, or are you suggesting a much better than seasonal growth rate in the June quarter? Thank you.

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**Shaygan Kheradpir** - *Juniper Networks Inc - CEO*

Well, thank you for the question. As I said, I've been in this business now exactly 27 years. So I come in with a lot of views on where the markets are going and what the customers want. I think that is, since I've been actually a builder in these companies, so I've a great appreciation for building. Since I've had tens of thousands of people in my organization, from an operating perspective, I was the heart of sort of operations.

So I come in with a good view of what is a well-run operation. I come in with a view of what the customers want, and I come in with a view of technologically what's the art of the possible, and where the markets are going. So, I took this job because I saw great opportunity at this phenomenal Company, sort of ready to go, to put in play 27 years of my experience. So, that's on that end.

On the other end, obviously I am on a big listening tour, and our shareholders is one of the most important stakeholders, and I've been listening to shareholders. I continue to do that, and the investors, and the sell side and the buy side analysts, and of course our customers to pull all this in.

We also have urgency of action, because every month that passes 2014, I want to make sure the new integrated operating plan is in place, the Company is behind it, and we can move and drive shareholder value. And make sure that our customers get to solve their business problems, which is all around, how can I generate more revenue? How can I bring down my operating costs? How can I make sure I don't get hacked? And so forth and so on. These are -- when you put the customer hat on, these things -- when you actually live and sweat the details in a customer, these get a different gravity.

So I'm actually very confident that we will be able to come up with a great integrated operating plan and put it in motion, and we can solve our customer problems. In the process, drive great shareholder return. Just hold on for a few weeks, and we will unveil it.

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**Robyn Denholm** - *Juniper Networks Inc - Chief Financial and Operations Officer*

On the guidance question, (multiple speakers) that's okay. In terms of the midpoint of guidance, as I mentioned before, is an 8% year-over-year growth, which is actually reflects our confidence in the strength of the underlying business.

Our view is that there is a sequential -- sorry, a seasonal pattern to our Q1 business, particularly on the enterprise side. As we saw in the fourth quarter, the enterprise actually drove a lot of the year-over-year growth. So, what I want to make sure of is that we take that into account. That's what we've taken into account. The underlying demand trends are healthy. Q1 always has a seasonality to it, and we wanted to appropriately reflect that in our guidance.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Thank you. Next question, please.

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**Operator**

Thank you. The next question is from Mark McKechnie of Evercore. Please go ahead.



**Mark McKechnie** - *Evercore Partners - Analyst*

Great, thanks. Shaygan, welcome. I certainly look forward to working with you. A very refreshing approach here. I had a few questions.

First, your background at Verizon and Barclays, 27 years in the business. I'm kind of curious. I don't know if you can expand a bit on your interaction with other carriers and enterprises. I'm sure you work with them. Are the meetings you are having with customers new engagements, or are you meeting with familiar people? Whatever you can say there.

Then on the routers, I know people have beaten on this a bit. I wanted to get a sense, I mean, that was really strong bookings, 20% sequentially. I wanted to get a sense for areas of strength, where you attribute that. Is that the PTX big orders here for the US? Are you participating over with China Mobile? Is this Europe? Is it the T4000? What can you tell us about that, and how you see that playing out through the year? Thanks.

**Shaygan Kheradpir** - *Juniper Networks Inc - CEO*

Sure, Mark, and hi, great to be speaking with you. Yes.

Somebody asked me that question the other day, and just how do you feel. I said, well I feel like I'm back home in the sense that many of the accounts I go to, they are friends and colleagues from the past. Now, as I said, I've been here 27 years. Some of the friends and colleagues have retired, but there's still quite a bit that are still there. So yes, I know many of my friends, they have been there for a long time. We've worked together on the buyer side of things. We have a similar (inaudible) thought across the planet. I actually used to chair the CTOs for telecoms a number of years ago when I was at Verizon.

By the way, on the enterprise side, I used to chair the CIOs for a number of years. So I have a lot of friends there as well. In fact, my rotation at Barclays, which I have to say was completely phenomenal and magical, I gotten to be even closer to my CIO friends at the banks and financial services. Yes, it sort of feels in the family. Of course, as time goes on, I become more of the supplier and they become more of the buyer. At this point, it's very much like coming back home.

As far as the routers and PTX is concerned, I've asked Rami to give us some color on that.

**Rami Rohim** - *Juniper Networks Inc - EVP Platform Systems Division*

Yes, sure. Happy to. Thanks, Mark.

On the router side, I think one of the really encouraging things about the bookings was just the diversity and who bought. So we saw strength in our large telcos, even our smaller tier 2 telcos, our cable operators, and also the web 2.0s. That diversity is something that we track and something that we consider as very healthy.

From a product standpoint, very specifically, MX continues to do very well, and the particular applications here that we are driving are convergence of edge and aggregation network to simplify operations for our customers, data center interconnect to connect clouds together.

The other area where we saw some real strength from a booking standpoint is in PTX. As you know, PTX is somewhat of a different architectural approach. The sales cycles are long, and what we are seeing now are the results of the design wins that we had several quarters ago now turning into sales. The last thing I will just say is in each of those product lines, the MX and PTX, we introduced new specific products in Q4.

We introduce the MX104s that takes all of the sophisticated capabilities of the MX down to a very small, power efficient form factor that's ideal for smaller operators and now into the active navigation part of the network. Similarly, the PTX 3000 that takes the transport capabilities of that platform and takes it into the metro transport area. So we are expanding the applicable footprint for each of these product lines.

**Kathleen Nemeth** - Juniper Networks Inc - VP, IR

Thank you. Next question.

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**Operator**

Thank you. The next question is from Brian Marshall of ISI group. Please go ahead.

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**Brian Marshall** - ISI Group - Analyst

Great, thanks. Shaygan, congratulations on the new opportunity. Obviously, some of the fastest-growing workloads on the planet are housed in a lot of the hyperscale guys. You give some comments on the conference call with respect to how much that, and in conjunction with some other business like cable are growing for you, over 50% of your incremental growth over the last 12 months.

I was wondering if you care to take a stab, did your hyperscale business actually grow in line with what we estimate is 30% CapEx growth year over year? Or perhaps, maybe what percent of your total revenue is coming from this group? 5%, 10%, something like that? Any color would be helpful. Thank you.

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**Shaygan Kheradpir** - Juniper Networks Inc - CEO

Hi, Brian. Good to meet you. A really good question. Is the web 2.0, and by the way, the cable and content businesses are also dear friends of mine from many years. Got good insight into those networks. I have worked with them for many years. I ask Robyn to take that question around their cloud that they are building and their growth. Go on.

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**Robyn Denholm** - Juniper Networks Inc - Chief Financial and Operations Officer

Yes. I think, Brian, in terms of the overall full year, what we wanted to give you color on is where the growth was coming from. The comment that I made was those areas of web services content and cable actually accounted for more than 50% of the overall growth of the Company for the 2013-year.

I think the comment that Shaygan made is very applicable because, it's a cross-sector view of those types of companies. Even in some of our traditional companies, they're a faster growing parts of that company's revenue with also their CapEx spend with us, if you like, then other parts. So that's what we were trying to convey with that comment, that there is faster parts of the market that are growing, even in some of the traditional areas, as well as some of these newer opportunities and newer type companies on the web services and cable side.

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**Kathleen Nemeth** - Juniper Networks Inc - VP, IR

Thank you. Next question, please.

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**Operator**

Thank you. The next question is from Rod Hall of JPMorgan. Please go ahead.

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**Rod Hall** - *JPMorgan Securities Inc. - Analyst*

Yes. Thanks, guys. Shaygan, welcome aboard and congratulations. Hi to you as well, Robyn. I had a quick one for Shaygan. Can you help us understand how in prior leadership positions that you've taken on, you've thought about the structure of your leadership team?

Just as an example, we've had a person take over our company recently as a new CEO. He said, I like to have a third of the people existing managers, a third internal promotes, and a third external. Any rules of thumb that you think about when you think about structuring your leadership team? And also just timing on that, how soon do you want to make critical hires, if you have to make them?

I wanted to ask Robyn if -- Robyn, could you talk to us a little bit about government revenues and what happened in the quarter? I don't think I heard you comment on that. So if you could give us any indication on what federal and non-federal revenues did in the quarter?

Then Rami, I wanted to go back to your commentary on the switching, and also Robyn's commentary on the routing order growth. Can you help us understand what the concentration of those orders is? In switching, was it a handful of big customers, or is it spread pretty broadly? Then also on the routing orders, is that a few big customers or broadly spread?

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**Shaygan Kheradpir** - *Juniper Networks Inc - CEO*

Thanks, Rod. Thanks for the question. Broad question. As I said, I've had many, many years in this, both Verizon and Barclays, and many tens of thousands of people.

I think at the top level, it all starts with what are we trying to do? Where are we trying to win? This is why it's really important to get the focus on product innovation and our markets really right, because that flows in what I used to call strength on strength. Have excellent people positioned in the areas that they can put the crystal ball for us forward through excellence.

Then it's working as one team, as one Barclay -- I'm sorry, one Juniper. One Juniper. One Juniper. I've had one Verizon, one Barclays, one Juniper. (Laughter) I'm consistent. And then, as you talk with the people about me, it's all the same, right? Because you have success and you repeat that. Then you have execution with no excuses.

(Inaudible) Execution with no excuses. I look for people who are detail oriented, they are hands-on. Not a lot of layers. Massive focus on the customer, massive know-how internally, and really have that outside in focus brought infused with an inside out art of the possible. Camp on customer's door, and execute. So that's sort of the management philosophy.

Now, I'm going to pass in to Robyn for the second part of the question.

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**Robyn Denholm** - *Juniper Networks Inc - Chief Financial and Operations Officer*

Thank you. Thanks, Rod.

In terms of the government business, I did actually call out that the government area, enterprise was actually very strong in the quarter. We had good sequential and year-over-year growth in enterprise, all up. The federal team did an outstanding job this quarter.

If you remember back to the guidance that we called out on last quarter, I was expecting Federal to be weak this quarter. Actually the team did a really good job. Actually they had a good quarter in Q4. Clearly, the Federal business of the Government business is down for us to the full year, year over year, which also underscores the fact that enterprise, absent from a full-year perspective, absent government, has actually been growing very nicely all year.

The other commentary on the fourth quarter was that financial services was strong. That's a global comment. So from my perspective, a good enterprise quarter, good service provider quarter, and a good Federal quarter in Q4.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Go ahead, Rami. Is there anything --

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**Rami Rohim** - *Juniper Networks Inc - EVP Platform Systems Division*

The only thing I will add is, I already added some color on the diversity of customers on our routing side. On the switching side, there too we saw a good distribution between enterprise, especially at the financial services, web 2.0s, and also service provider.

We have said in the past that the service provider component of the switching business can be lumpy. This quarter, or Q4 I should say, we saw real strength in both SP and enterprise. I think that, just based on what we are seeing of demand metric, I'm pretty confident about 2014.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Thank you. Operator, we have time for one more question.

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**Operator**

Certainly. The final question comes from Brian White of Cantor Fitzgerald. Please go ahead.

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**Brian White** - *Cantor Fitzgerald - Analyst*

Yes. Shaygan, welcome. I'm wondering, what type of forum are you introducing the integrated operating plan? You said three to four weeks? Is this an analyst-type meeting, or this going to be a conference call? That's question number one.

Number two, maybe talk a little bit about what Juniper is seeing in emerging markets. A lot of peers are complaining about emerging markets, specifically China. Maybe give us just an overview of what Juniper is seeing in emerging markets.

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**Shaygan Kheradpir** - *Juniper Networks Inc - CEO*

Thanks for the question. On the forum, actually we are working that as we speak. So stay tuned on that. As far as emerging markets, Robyn, you want to take that one?

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**Robyn Denholm** - *Juniper Networks Inc - Chief Financial and Operations Officer*

Yes. In terms of emerging markets for us, and there are many different emerging markets around the world for us. What I would say, at a high level our strategy is quite different in some of the emerging markets. You mentioned, for example, China. What we've done at the Company is be very focused, in terms of the areas where we are most differentiated in that market. Rami mentioned that before.

So our approach varies by market. We're very surgical in some markets where we focus on those areas where we have the most differentiated, and we win opportunities in those markets. So from my perspective, our emerging markets strategy is different. We sell, through partners in a number of different locations across the world. From a technology perspective, the technology that we sell is consistent and it's in high demand in different parts of the world, in terms of that focus.



**Brian White** - *Cantor Fitzgerald - Analyst*

Okay. Great. Thank you.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Okay. Thank you. That, unfortunately, is all the time we have today. Shaygan, would you like to have a closing comment?

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**Shaygan Kheradpir** - *Juniper Networks Inc - CEO*

Yes. It's, I'm thrilled to be here. I'm really looking forward to seeing all of you very shortly and have a much deeper conversation about everything we talked about here, your views of Juniper and our industry. So look forward to seeing you all. Thank you. Have a great day.

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**Kathleen Nemeth** - *Juniper Networks Inc - VP, IR*

Thank you.

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**Operator**

Thank you. Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time, and thank you for your participation.

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