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# EDITED TRANSCRIPT

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## CONFERENCE CALL PARTICIPANTS

**Ehud Gelblum** *Citigroup - Analyst*

## PRESENTATION

**Ehud Gelblum** - *Citigroup - Analyst*

Thanks for joining, everyone. Good morning. My name is Ehud Gelblum; I am the data networking and telco equipment analyst here at Citigroup. I am pleased to have Juniper with us this morning. Juniper is one of two companies that has successfully challenged Cisco in the service provider routing market.

While service provider still remains the core of what Juniper does, the Company entered the security market with the acquisition of NetScreen in 2004, and the switching market in 2008, and has been making somewhat of a comeback in the enterprise switching market of late, having seen a lot of strength.

My guest today is a relative newcomer to Juniper, CEO Shaygan Kheradpir. He joined Juniper just in January, and he has started off with a running start, announcing a sizable restructuring of the Company with his new IOP, integrated operating plan, that we will get into. So I think he announced that just six weeks after joining the Company.

Previously to joining Juniper, Shaygan was at Barclays where he was the Chief Information and Technical Officer over there; and before that was at Verizon in both the CIO and CTO roles.

We have -- along with Shaygan, we have VP of Investor Relations, Kathleen Nemeth, so thank you for being here. I think what we are going to do today is Shaygan is going to start us off with a brief 10 minute or so overview with some slides, and then we will get into an all important Q&A.

So, Shaygan, thank you for joining us today. Turn it over to you.

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

Thank you, Ehud. I think you have the clicker.

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

Should be -- I think it might be right there. Ehud took care of that.

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

Great to be back in this city. As Ehud said, this used to be my patch, New York City, and the East Coast is Verizon. So I want to give you a quick update on our IOP in progress, so this slide is doing that. I just want to bring your attention to the Safe Harbor.

With that, as Ehud said, the 6 weeks after I entered Juniper we announced IOP, integrated operating plan. I want to give you an update on the results on IOP, but most importantly also how our Company is operating differently now under IOP.

So on strategy, we very quickly pivoted to the high-growth pieces of the market. We call that cloud builder and high-IQ. It was very rapid and, in part, because of that pivot in the strategy and focus. Most of our growth this year has come from cloud builder and high-IQ type customers.

On R&D, we rationalized our portfolio with a focus in towards high-IQ and cloud builders where we think the growth is and where the accretion is going to be. So as a result, an example would be the sale of Pulse that we announced, and that was a reflection of the pivotal strategy and rationalization on R&D.

On go-to-market, we have sharpened our focus on strategic verticals, and here there are the verticals we have selected which we think has the highest potential are carriers cable, Web 2.0, financial services, federal, and any major customer who thinks network is mission critical to what they do.

An important point about this pivot to verticals is we are observing that all four verticals are converging to the same architecture, which is very favorable for us because we can build one and sell many times.

Commensurate with these pivots, we have made some important organizational changes. We now have one R&D group that is focused totally on cloud building and high-IQ networking, and we are already seeing very good leverage engineering across the R&D group.

We have one go-to-market group that we have eliminated the divisions between service provider and enterprise, one salesforce that is called on the vertical. And we have much more collaboration internally between R&D and go-to-market. And even more importantly, parts of it were use-case driven with our customers and what we call co-creation with them, which is so important at cloud building and high-IQ ramp-up.

On costs, we have clear line of sight to the \$160 million that we relate of cost savings in IOP, and we are fully committed with a 25% off-margin target for 2015, and in fact we are making good progress on that already.

On capital allocation, we have created one opportunistic strategy and have accelerated the remaining \$800 million of share buyback into this year for a total of \$2 billion. We have also initiated a dividend of \$0.10 per common share and with the intention to grow it.

Now, on our strategy of cloud builder and high-IQ -- can you advance the slide, please? Thank you. We have best-in-class silicon systems and software at Juniper. That is our tradition that we use for our routing, switching and security product lines, all pulled together with centralized intelligence and control; focused towards use cases that I have mentioned for cloud building and high-IQ at this point.

I have recently met with over 70 customers across the planet and partners. I have met with thousands of employees, and I can tell you that our strategy is resonating very well with all those stakeholders. Importantly, we are winning new customers and we are winning important design wins.

I mentioned in our last earnings call, we won UBS, which is a first for Juniper, a major Wall Street account. I am very pleased to announce -- we announced two weeks ago, we won Nike. Again, we are very pleased with that. And we won a very important critical design win with AT&T in their Domain 2.0.

Now, some of the other customers that I won't mention by name, but I will just tell you about the use cases we are working. We recently worked with a Tier 1 service provider on their wireless network. And essentially, what we did is sit in their Gi-LAN network.

We took [tens] of applications and systems that were hardwired, and we basically melted them into two MXs, one for a backup and one for a primary. I give them a lot more agility, I give them a lot more cost savings and so forth and so on. And that is the precursor of the things we can do in MFP and SCN that is very accretive to our service provider customers.

Another example is a European carrier that just selected the MX2020 product line with our MPC4 card. And what they did, they selected it because the power consumption on that box is 60% lower than the closest competitor, among other things. We just released our MPC6 card, which is a half a terabit per second card, and our customers are very excited about that as they scale.



Probably the biggest household name in Web 2.0 are our great customers, and they selected -- have selected MX and PTX in multiple layers of their network so they can scale, again with things like MPC6 cards, which is half a terabit per second on MX2020, and the FPC card on the PTX, which is 1 terabit per second, and they are scaling very well with those.

Our QFX5100, Ehud mentioned, our switching line, is increasingly used by cloud builders of all type as a fundamental building block to build their cloud. Now why do they do that? We will get maybe a little bit more into it in the Q&A.

But it essentially comes down to three things: hyperscale, scaling horizontally very large forms with QFX5100; rocksolid protocols that have been worked on for decades, things like BGP, IS-IS, MPLS, which is Layer 3 protocols, which is really neat if you have a large cloud form, Layer 2000 really work; and third is deep automation. You cannot have hand in the plant in these networks, as they call it. So because of those three businesses primarily, our QFX5100 is increasingly the fundamental building block.

In financial services, with companies such as UBS and others, here is why they like the Juniper lines of products. So it starts with pipeline resiliency. Then you move into SDN capability. So basically we are one of the few -- maybe the only company -- who can bridge a bare metal and virtualized environment at line speeds, line rates. And if you are in financial services, you know that your entire plant is not virtualized.

For example, your accounts sit on mainframe, and connecting those things at wire speeds with your Web forms is really important. They also select because of automation capabilities. We recently worked with one financial services and we showed how we can bring up an entire data center -- I have mentioned -- an entire data center in a couple of hours through automation capability that we have. And instead of weeks and months, it is difficult.

Our industry-leading firewall, this is SRX5800 that is used by cloud builders and carriers. It is the biggest firewall that exists out there in terms of single firewall. It has 300 gigabits per second capacity, 100 gig interfaces, and it has got a record 100 million sessions, growing at the same time together with DDoS capabilities and a number of other things.

And last but not least -- and this audience would relate to this effort -- our virtualization capabilities enabled in our financial services to embed the conduct and compliance rules into the fabric of the Company, the financial services, as opposed to having a bunch of rule groups and try to implement to conduct and policy rules via manually. In fact, we are working with the financial services institutions on that.

And last, but this is really important, we are seeing the clear trends with Cloud Builder and high-IQ networking companies, that they buy our products together, best of breed. They buy MX, PTX, QFX, and our SCM capabilities on Contrail together, because they view that those are the fundamental building blocks for building clouds and high-IQ networks.

Now I go into our results, our Q2 results. We have had a good first half, good results in the first half comparatively. You can do your own comparison, but our Q2 results show continued revenue growth and earnings expansion. More importantly, we are taking share in both routing and switching, both of which grew year-over-year.

The latest share numbers I got last week that come from industry analysts show, routing is up 1.4 points from Q2 2013 -- this is LCM -- so we are up to 17.5%; and switching is up 0.6 points to 3.3%. Of course, the switching we are focusing on the top end of the market, and this is a more broad measure.

On both accounts, we are taking share and, in fact, routing has grown seven consecutive quarters; switching has grown six consecutive quarters. We continue to expand our margins year-over-year. This is the result of good revenue growth, solid gross margin and cost efficiency.

In Q2 of this year, we had the highest operating margin in three years at Juniper, and we are fully committed to our 25% op margin target for 2015. And I have said before, we are making good progress on that already.



On our capital allocation, we are returning at least \$3 billion over the next three years. We have greatly improved our allocation and management of capital. We have accelerated our buyback as we have recently relayed in August, and continue to be opportunistic with share repurchases. This is also a pivot from our previous repurchase strategy.

In summary, we are focused on the highest growth market in our market -- highest segments in our markets, which we believe are clouds building and high-IQ networking, without a shadow of a doubt because I have spoken to many, many customers, many, many partners, many of which I know for many years, as well as thousands of employees.

The strategy is resonating. I haven't met a single person that said this is not the right thing to do. They all stay focused on this. This is where the future is.

The Company is executing well. We remain fully committed to the 25% op margin target for 2015, and we are delivering at least \$3 billion of total capital allocation over the next three years.

Thank you, and we will just go to Q&A.

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## QUESTIONS AND ANSWERS

**Ehud Gelblum** - *Citigroup - Analyst*

Thanks, Shaygan. I think we are pretty much done. You have hit almost every topic on my list.

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

Okay. That's because you were late. (laughter)

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**Ehud Gelblum** - *Citigroup - Analyst*

Clearly, so you did my job for me. Why don't I hit a couple of these? High-IQ, cloud builders, who is not in that category? Who does that not -- who have you -- without naming names, who have you less -- what product lines are you less focused on because of that strategy? Obviously, you sold Pulse, so we don't have to worry about what that is because that is now gone, but what does that exclude? What is not in there that you have managed to (multiple speakers)?

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

Right. So the way I think to think about it, Ehud, is we pivoted very rapidly to four key segments, right? So let's see who is in that key segment.

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**Ehud Gelblum** - *Citigroup - Analyst*

Let's do that, and hopefully there is not --.

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

All right, so I think it was pretty obvious. So carriers, right, check. The carriers, they are all -- and I know most of them from top deal down, right -- they are all moving toward next-generation network, which are cloud and high-IQ.



I mean companies like AT&T have been very vocal, where they are going with Domain 2 and so forth. The direction of travel is clear; I don't care where you go across the planet. So the pivot is hyperscale network on cloud, multi-tenancy, tons of automation, a lot less people; that is sort of the cloud.

Then high-IQ is -- you've got a list of a lot of [smarts] in the network to be able to do things that never was able to do before, so we are finally there. So that's carriers; that is where they are going.

You come into cable, right, and cable essentially is -- I don't want to name names -- you can figure out because you are probably users.

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**Ehud Gelblum** - Citigroup - Analyst

There aren't that many of them left.

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

Yes, but across the planet actually, there are quite a few. They are all like moving towards cloud-based set-top boxes, cloud-based set-top boxes, the kind of stuff we did at FiOS. And I think everybody is now running towards that as opposed to hardwired. So you are going to see a major pivot into -- from cable companies on the cloud-based architectures.

And obviously, they are also getting into, as (inaudible), into metro and enterprises. So then they have to take a page out of the carriers of how you compete in that effectively with next-gen services like Flex CPS and so forth and so on. That is number two.

Number three is Web 2.0, and here they are the household name, for sure. These are people with football-sized data centers which are bigger than some countries' wide area networks. Trust me, this is --.

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**Ehud Gelblum** - Citigroup - Analyst

It is bigger than some countries as well.

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

Well, the number of -- I am talking about their network. But then there is second-tier Web 2.0s, which are a little smaller and their needs are slightly different. And now you have mushrooming cloud services, specific cloud providers.

So, for example, if you want to do backup and restore, there is now a cloud service for that, for the enterprise. If you want to synchronize your databases across wide area network, there is a cloud service for that. These were the things that you would previously buy embedded in like databases or something like that.

But the problem is -- so you've got now -- imagine almost in Web 2.0s, you get a slew of -- and this is an analogy -- an app store that an enterprise can go to and say, hey, you know what? I want to try this, this, this, this and this, and stop using traditional IT staff. But to do that, the network has to be structured very differently.

So on the sly, you can bring this guy and securely try them, and if you like him, you keep them. So that's Web 2.0 tiering. And by the way, the Web 2.0s are also -- it has been primarily US phenomenon. We are beginning to see also a rise in Asia of Web 2.0, so that --.

**Ehud Gelblum** - Citigroup - Analyst

Can you sell to those guys, or is it harder?

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

To the guys --.

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**Ehud Gelblum** - Citigroup - Analyst

Asia, especially China?

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

Well, the -- I would say the far -- as I just came back from China a couple of months ago, I met with a few of them. I would say because Juniper is on the frontier -- it is probably the only company that can sort of claim this -- on the frontier with Web 2.0s and on the frontier with carriers -- we have one solid leg on each -- they are very interested in what we say and they are very interested in the art of the possible because this space moves very fast. So the answer to your question is absolutely.

But their needs are slightly different, where I would say the Web 2.0s at this point, the US are doing Star Trek kind use cases. They really are. It is amazing what is happening here. In Asia right now, it is about just raw horsepower, raw speed. So there is some (inaudible), there's some technological nuances that you have to be -- of course, they will eventually get to the same place.

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**Ehud Gelblum** - Citigroup - Analyst

So who is --?

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

And then financial services -- let me finish -- financial services, our federal government, those are the four. And then I said the fifth is any other company that believes basically their cloud and high-IQ is very material. So, for example, Nike. When I first got my job, Nike was not like a cloud builder.

But you talk to Nike, they are like they see the world the same way we see it, and they see their business going the same way we think the world is going, which is why Nike selected us. Because they wanted a cloud builder, high-IQ, and obviously we didn't have any presence in Nike, right? It was a traditional enterprise kind of stuff.

And you go look at UBS, you look at Nike, you look at AT&T domain 2.0 to 3 that I can speak to because they allow, the theme is similar. The theme is we have to cut from the past and move into the future. And the future architecture is very different, the motions are very different. So that's (inaudible). Of course, with our set of partners that we have narrowed down because we want to go also deep with those partners that help us with reach the rest of the market, but essentially that's it.

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**Ehud Gelblum** - Citigroup - Analyst

So integrating this question in with the IOP, your integrated operating plan, your \$150 million in savings, who is not in those four categories and how does that parlay into savings?

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

So look, I think the parlay of savings as far as for things like Pulse, we didn't see Pulse as mission critical to what this strategy is. So basically, that is from the product perspective.

In terms of companies, we sell to everybody, but we reached the rest of the market through partners. In fact, one of the things I am seeing recently is the more the first four segments buy the halo effect down market is actually noticeable. People say, well, all of these people at the same time cannot be making the wrong selection, right? I mean look at you -- just look at say iconic --.

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**Ehud Gelblum** - *Citigroup - Analyst*

And we ought to say UBS two or three times at the Citi conference, by the way. I think you have hit your quota.

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

Can I say Morgan Stanley?

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**Ehud Gelblum** - *Citigroup - Analyst*

Well, you could have a year and a half ago. (laughter)

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

Yes, okay. So that is -- so basically, we are focusing there because that is where the build is happening. And then from the build, of course, the rest of the market likes the features steps. Who doesn't like ISSU, in-service software upgrades? Everybody likes that. Who doesn't like virtual chassis? Who doesn't like micro-bursting? Who doesn't like real-time telemetry?

They all like that, but where we build it on the front tier is with the first four, and then we rely heavily on our partners to get to the rest of the market.

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**Ehud Gelblum** - *Citigroup - Analyst*

So let's talk about it. You brought up partners. That brings up your go-to-market strategy, and I am dancing around here a little bit but trying to follow this train of thought. So your go-to-market strategy was one of the major initiatives that you took on to put this restructuring and IOP in place.

You talked to us a little bit about it. You said you collapsed the sales force into one salesforce. It sounds like you took a bunch of customers that used to be served directly and are now pushing them off into partners. Get a little more specific into what you think the savings you got out of it.

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

Yes, so I think the biggest point here is that to do cloud building and high-IQ right for the next few years, because it is a new phenomenon, you have to go deep with customers and you have to sit with them -- my analogy is back to engineers back to back, right, and crank. You've got to go deep.



Because nuance matters, their context matters and this -- we learn at every use case. So to go deep, you can't go and just do a shotgun approach across everything. So what we did is we took our forces and we put them across the main four verticals, and we narrowed down significantly the number of partners so we could also go deep with those partners.

So the way I would think about it, the most important thing is deep and co-create, and you cannot do either if you are not focused on the price, because they just won't buy. That is the truth.

Imagine showing up in one of the big Web 2.0s and say, you know what, I am going to wine and dine you. I'm going to give you a PowerPoint and a white paper, and then I am going to twist your arm to buy. Do you think that motion will work?

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**Ehud Gelblum** - Citigroup - Analyst

No, they drink enough wine (multiple speakers).

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

That's not going to work. But what is going to work is if there engineers say, hey, we want to crank this massive use case because we've got 1 billion users --.

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**Ehud Gelblum** - Citigroup - Analyst

These are actually technical sales.

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

So you have to focus on that, and we can't do this and be a shotgun, which is why we did what we did.

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**Ehud Gelblum** - Citigroup - Analyst

Right. On US conference call, you talked about the US service provider market and what is going on in the dynamics in the US. You talked about the fact that the various M&A deals that have been out there at the time were impacting the sequencing and timing of projects. That is, I believe, how you and Robyn put it. And it did lead to a guide-down versus what the Street had been forecasting for the end of the year.

Give us some more detail on what you are seeing there. Is it really just a timing issue? What does that mean with respect to some of your targets that you have out there? Primarily, you have this 25% operating margin target out there.

I am putting a bunch of things together, but it would kind of make it sound like it is a little more difficult to hit some of those targets with a revenue line that is lower than it was. How do you do that? Is this just like a three-month or six-month hiatus? What are you seeing that you saw then in June, and any update?

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

Yes, so I will make a couple of points. First of all, as you said, we in our last earnings call pointed out the challenging market in the second half of this year with the large US carriers. We have no new information. I am still guiding the way we thought.



The thing I can tell you is -- and I know this Company very well from top to the bottom. We have great relationships, so I don't think there is a lot gets lost in the translation. We have a great dealer program. Many of them are next-generation programs with these customers, that we are working with them very actively.

This is why I am constructive in 2015 with these customers, because I know the programs are material. I know that if the CFOs of those -- and the CEOs and the CTOs of those companies -- where they are going to say yes, those are the programs that my company is going to need to power forward, and we are very deeply embedded and engaged. Of course, we are deeply embedded in their network anyway. And as you know, traffic growth is not slowing down; it is still 50% growth year-over-year.

And lots of other stuff, traffic-related pressures that we can get to; some are more interesting, and that is even without a new iconic device, which we haven't had a new iconic device really since 2007. So maybe there is something in the offering there.

So the traffic growth is there, the demand is there, the next generation of work is there. However, those companies, they have a set of things they have to sort themselves. Some of them have pushed some of the projects out into 2015, and some of them is resorting their priorities of what comes first, what comes second.

And having been through quite a number of M&As in these type of companies, I know what happens, which is people hit the pause button and say, hey, let us first go through the planning of that and all that. And once we know what (inaudible), we take our hand off the pause button and go.

So we are still in the same place we are. We are constructive in 2015. And the second half, as we mentioned before, is challenging, and we have nothing more to add.

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**Ehud Gelblum** - Citigroup - Analyst

No change to the 25% operating margin target? Because that becomes harder -- if you do your math on the OpEx and take into account the fact that revenue is lower in the second half of the year, you need to see quite an acceleration -- the math just works out that way. You need to see quite an acceleration in revenue growth for next year, unless you increase the \$150 million OpEx target.

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

Well --.

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**Ehud Gelblum** - Citigroup - Analyst

Or your gross margin (multiple speakers).

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

Okay, I'll make a couple of points there. First of all, we are still constructive on 2015 growth because of all the things I just said, the action on the ground. And then again, I am very closely -- I am personally on my team, so nothing lost in translation there.

Having said that, we are already working on the 25% op margin and we are making good progress. We already have shovels into the ground, and we have a number of scenarios that we can see how we can get there. And this is why we are reaffirming the 25% op margin target here today.

**Ehud Gelblum** - Citigroup - Analyst

Okay. You may have kind of hint about a new iconic device you might be coming out with (multiple speakers).

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

No, I have no knowledge of that. It is just -- I just made the observation that we haven't had anything for a while.

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**Ehud Gelblum** - Citigroup - Analyst

We being Juniper or we being the industry?

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

We being the industry.

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**Ehud Gelblum** - Citigroup - Analyst

Okay, I'm sorry.

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

We being the industry.

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**Ehud Gelblum** - Citigroup - Analyst

I thought we were looking for another product.

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

No, no. Since the industry that drives demand, right? So you have had the iPhone and iPad.

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**Ehud Gelblum** - Citigroup - Analyst

Oh, I'm sorry, iPod? I was thinking the switching and routing.

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

No, so you always have to come from end markets, Ehud. So you've got the end market pressure.

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**Ehud Gelblum** - Citigroup - Analyst

Right.

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

So imagine there is a new iconic device comes out that is even more -- and without that, we've got 50% year-over-year.

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**Ehud Gelblum** - Citigroup - Analyst

So quasi-iconic, your QFabric came out in 2011. Unfortunately, it was iconic for the wrong reasons. But since then after a rough start, it actually has come out and done pretty well for you. The QFX5100 seems to be the core building block that is driving your switching business.

What are you seeing out there in switching? Because you've actually had three very strong quarters, although it's been kind of flattish the last couple quarters sequentially. Can that return to growth? Is that going to continue driving growth? And now that your biggest competitor, Cisco, has their ACI out and their A6 that just came out, and Arista seems to be doing very well, has the environment gotten tougher? Or can you continue to see the strong growth in switching that you've enjoyed the last six months?

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

No, we have had strong growth in switching. I think the first half is almost 40% year-over-year. Obviously, you're not going to put out 40% every quarter.

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**Ehud Gelblum** - Citigroup - Analyst

That's fine, I don't mind if you do.

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

We are constructive on the growth on our switching, and we are winning in our switching across many, many verticals. Service provider, again, can be lumpy. And the reason we are winning with cloud builder and high-IQ, this is not a traditional enterprise market. So what these guys want is massive scale, which we can deliver.

Number two, once you have massive scale, football size data centers and then like millions of servers and all that, you need sophistication of Layer 3. You can't do it with Layer 2. What does that mean? That means they need things like BGP, MPLS, IS-IS. Where does our switching get that? From Junos, as we have had over a decade of experience on the routing side. They love that.

Third, they want deep automation capabilities and they want to hook their controllers deep into our switches. We have that.

Four, they dislike in a big way closed proprietary vertically-integrated systems. They just don't like it for all the reasons. They don't want to be left behind, they don't want to be hostage for 10 years. So for all those reasons, they go with QFX5100 and QFabric line of products because one, two, three, four, we give them what they need.

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**Ehud Gelblum** - Citigroup - Analyst

Have you seen an impact with Cisco's ACI coming out now? Yes, we're almost out of time, but we will --.

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

Well, the impact -- I mean, look -- (multiple speakers) I think what you see -- I will give two quick things. The reason we focus on cloud builder high-IQ -- scale, sophistication, openness and so forth and so on. That is not I am going to fuse hardwired storage, compute and networking together. Those don't work. Those don't work in this hyperscale. They just don't, for technical reasons, business reasons.

And then -- but also we have a full hand. We have routing, we have switching, we have security, and the open interplay with them is very valuable to our customers. We have the most programmable ASIC that is in switching, and it is actually common with our routing, the Junos operating system.

And now as high-IQ comes in and pulls information across all three, four components so you get streaming data coming out of your switches, out of your routers, out of your firewalls; you have matched that up with Big Data analytics. You've matched that up with control systems. Now you can do dramatic things you couldn't even imagine before. So, this is the two poles of differentiation for this Company.

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**Ehud Gelblum** - Citigroup - Analyst

Okay. One thing I have to ask you before I let you go, even though we are way past time. The security business, there are good parts of the security business, there are challenged parts of the security business, mainly the branch -- the old ScreenOS branch office firewall business. How do you view that strategically? Is it strategic for the business? Is it something that you can wind down?

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

We have -- on security we have said multiple times, security is essential to cloud building high-IQ, and we are pivoting and we have pivoted hard onto our SRX Flex line, which is where our customers want. They want big-scale firewall with lots of high-IQ features, and we just released our next-gen firewall capabilities which are very, very good.

And in terms of scale, nothing matches as far as 5100. So we are going to extend our leadership in high end and we are going to regain leadership on the branch -- our SRX branch firewall through a lot of work and leverage engineering that our R&D team is doing. We are very confident on that over time.

And as I said, security in high-IQ Cloud, it is not traditional enterprise security. It is military grade security to be successful, which is potentially what we are all about.

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**Ehud Gelblum** - Citigroup - Analyst

Excellent. Shaygan, thanks for joining us today. Appreciate it.

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

Thank you, Ehud.

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