



# **Q1 2011 FINANCIAL RESULTS CONFERENCE CALL**

**TUESDAY, APRIL 19, 2011  
2:00 P.M. PACIFIC TIME**

Kevin Johnson, Chief Executive Officer  
Robyn Denholm, Chief Financial Officer



## **FORWARD LOOKING STATEMENTS**

Information, statements and projections contained in these presentation slides and related conference call concerning Juniper Networks' business outlook, economic and market outlook, future financial and operating guidance, and overall future prospects are forward looking statements that involve a number of uncertainties and risks. Actual results could differ materially from those anticipated in those forward-looking statements as a result of certain factors, including: general economic conditions globally or regionally; business and economic conditions in the networking industry; changes in overall technology spending; the network capacity requirements of communication service providers; contractual terms that may result in the deferral of revenue; increases in and the effect of competition; the timing of orders and their fulfillment; manufacturing and supply chain constraints; ability to establish and maintain relationships with distributors, resellers and other partners; variations in the expected mix of products sold; changes in customer mix; changes in geography mix; customer and industry analyst perceptions of Juniper Networks and its technology, products and future prospects; delays in scheduled product availability; market acceptance of Juniper Networks products and services; rapid technological and market change; adoption of regulations or standards affecting Juniper Networks products, services or the networking industry; the ability to successfully acquire, integrate and manage businesses and technologies; product defects, returns or vulnerabilities; the ability to recruit and retain key personnel; significant effects of tax legislation and judicial or administrative interpretation of tax regulations; currency fluctuations; litigation; and other factors listed in Juniper Networks' most recent report on Form 10-K filed with the Securities and Exchange Commission (SEC). All information, statements and projections contained in these slides and related conference call speak only as of the date of this presentation and related conference call. Juniper Networks undertakes no obligation to update the information contained in these slides and related conference call in the event facts or circumstances subsequently change.

## **USE OF NON-GAAP FINANCIAL MEASURES**

These presentation slides contain references to certain non-GAAP financial measures. For detailed reconciliation between the non-GAAP financial results presented in these slides and corresponding GAAP measures, please refer to the appendix at the end of this slide deck. In addition, for important commentary on why Juniper Networks considers non-GAAP information a useful view of the company's financial results, please see the Form 8-K filed today with the SEC. With respect to future financial guidance provided on a non-GAAP basis, we have excluded estimates for amortization of intangible assets, stock-based compensation expenses, acquisition related charges, restructuring charges, litigation settlement charges, gain or loss on equity investments, non-recurring income tax adjustments, valuation allowance on deferred tax assets, and income tax effect of non-GAAP exclusions.

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



# COMPANY REVIEW

Kevin Johnson, Chief Executive Officer



---

## A GOOD START TO 2011

---

- Solid financial performance; revenue growth 21% Y/Y
- Introduced 3 major New Network innovations
- Our markets remain strong; good forward momentum



---

## WE ARE CLEAR ON OUR STRATEGY

---

- Aligned around common vision for the New Network
- Innovating to meet customers' challenges
- Aggressively driving our new solutions into the market
- Mobile Internet, cloud computing play to our strengths

## DELIVERING ON OUR INNOVATION ROADMAP

### MobileNext

- Positive pace of new beta customers and trials
- Solution available Q3'11

### QFabric™ solution

- Performing well in beta testing
- QFX3500 shipped in late Q1

### Converged Supercore

- Combining optical with MPLS switching technology

Expanding go-to-market; investing in specialized sales capabilities, services

---

## CONTINUED MARKET MOMENTUM

---

- **Broad-based growth: customers, products, geographies**
- **Service Provider: strong quarter, expanding TAM**
  - Growing interest in Junos® Pulse
- **Enterprise: good progress integrating recent acquisitions**
  - Trapeze: immediate position in WLAN market
  - Altor: several wins in the data center
  - Junos Pulse: favorable response
  - QFabric: high level of interest

## 2011 OPERATING PRINCIPLES: EXECUTING ON A MULTI-YEAR GROWTH AGENDA



Assume macro economy will continue to improve



Drive another year of growth as part of multi-year growth agenda



Invest in sales & marketing as business scales



Drive year-over-year operating margin expansion



Leverage balance sheet to complement organic R&D with strategic acquisitions





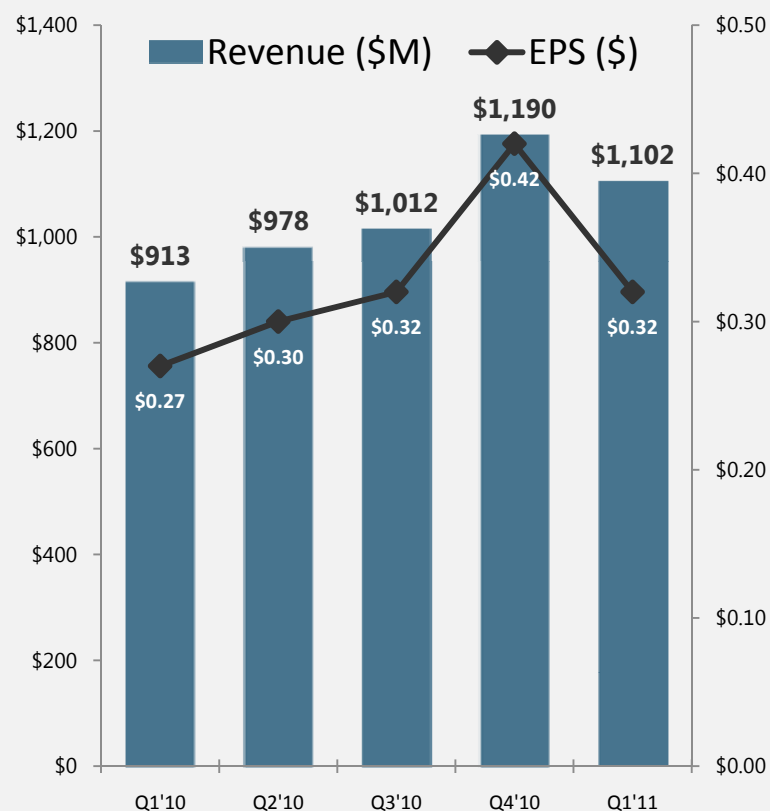
# FINANCIAL REVIEW

Robyn Denholm, Chief Financial Officer



# Q1'11 RESULTS: GOOD YEAR OVER YEAR REVENUE AND EARNINGS GROWTH

## Revenue and Non-GAAP EPS



## Solid Execution

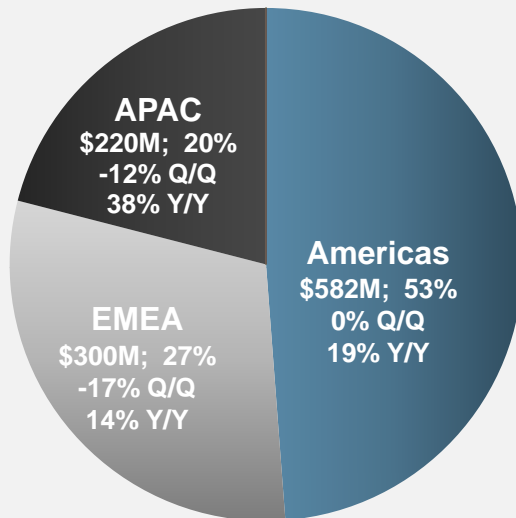
- Revenue decreased 7% Q/Q, grew 21% Y/Y
- Non-GAAP Operating Margin of 22.3%
- Non-GAAP Diluted EPS decreased 10 cents Q/Q and increased 5 cents Y/Y

## Strong Demand Metrics

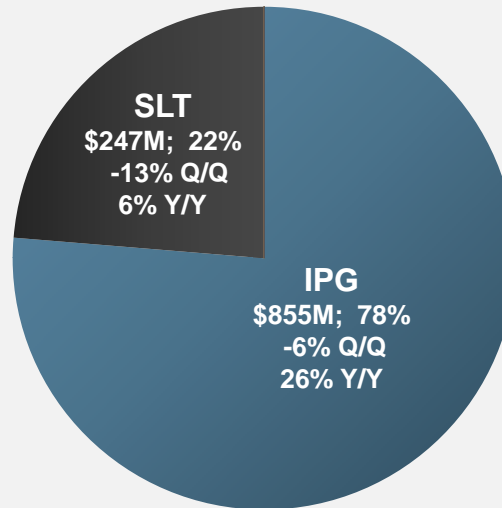
- Book to bill slightly less than 1
- Strong product backlog and record total deferred revenue balance
- Good momentum entering 2011

# Q1'11 REVENUE MIX: BROAD-BASED GROWTH

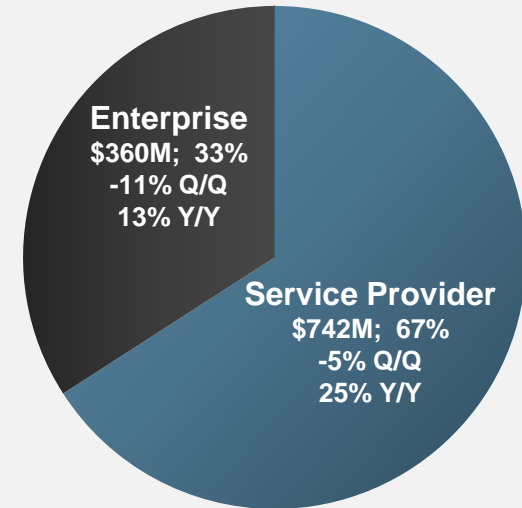
Geography



Segment



Markets



- Solid Y/Y growth in all geographies, segments, and markets
- Good sequential growth from US and Japan service providers
- Router up 25% Y/Y to \$749 million; Switching up 37% Y/Y to \$106 million
- Routing secured key design wins in both edge and core
- MX 3D good momentum, up 57% Q/Q to \$152 million
- Enterprise up 13% Y/Y; Ent switching and security grew 21% and 15% respectively, Ent routing grew 3%
- Service Provider up 25% Y/Y driven by our edge product portfolio

## FINANCIAL RESULTS (NON-GAAP EXCEPT REVENUE)

	Q1'11	Q4'10	Q1'10	Q/Q Change	Y/Y Change
Revenue	\$1,101.6M	\$1,189.9M	\$912.6M	-7%	21%
Gross Margin %	67.9%	67.2%	67.6%	+0.7pts	+0.3pts
R&D	\$236.6M	\$230.7M	\$189.3M	3%	25%
Sales & Marketing	\$229.7M	\$240.6M	\$180.2M	-5%	27%
G&A	\$35.9M	\$36.8M	\$35.8M	-2%	0%
Total Operating Expense	\$502.2M	\$508.1M	\$405.3M	-1%	24%
Operating Margin %	22.3%	24.5%	23.2%	-2.2pts	-0.9pts
Net Income*	\$177.5M	\$228.6M	\$146.4M	-22%	21%
EPS (Diluted)*	\$0.32	\$0.42	\$0.27	-\$0.10	\$0.05

\* Net income and diluted EPS attributable to Juniper Networks exclude net income or loss pertaining to non-controlling interest

---

## CASH FLOW AND BALANCE SHEET METRICS

---

### Strong Cash Position

- Cash and investments ~\$3.1B, net of \$1.0B senior notes
- Cash flow from operations in the quarter was approximately \$240M

### Share Repurchase

- Repurchased 4.8M shares or approximately \$200M

### DSO

- 38 Days

### Deferred Revenue

- Record balance of \$950M, up 7% Q/Q, up 20% Y/Y
  - Product deferred revenue up 5% Q/Q, up 21% Y/Y
  - Services deferred revenue up 9% Q/Q, up 20% Y/Y

# Q2'11 GUIDANCE

3 MONTHS ENDING JUNE 30, 2011 *Non-GAAP (Except For Revenue And Share Count)*

Revenue	<ul style="list-style-type: none"><li>▪ Range between \$1.13 billion and \$1.18 billion (includes any anticipated impact from recent events in Japan)</li></ul>
Gross Margins	<ul style="list-style-type: none"><li>▪ Within long-term target range of 66% to 68%</li></ul>
OPEX	<ul style="list-style-type: none"><li>▪ Operating expenses to be lower as a percent of revenue, but increase sequentially on a dollar basis</li></ul>
Operating Margins	<ul style="list-style-type: none"><li>▪ 22.5% plus or minus half a percentage point</li></ul>
EPS	<ul style="list-style-type: none"><li>▪ Range between \$0.31 and \$0.34 per diluted share, includes a dilutive impact of one and a half cents, \$0.015, per share due to net interest expense from our debt issuance</li></ul>
Tax Rate	<ul style="list-style-type: none"><li>▪ Approximately 26.5%</li></ul>
Share Count	<ul style="list-style-type: none"><li>▪ Slightly up</li></ul>

# APPENDIX



---

## PERCENT OF REVENUE BY MARKET

---

	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11
<b>Total SP</b>	68.1%	65.3%	63.6%	67.9%	65.0%	63.4%	62.6%	65.9%	67.4%
<b>Total Enterprise</b>	31.9%	34.7%	36.4%	32.1%	35.0%	36.6%	37.4%	34.1%	32.6%



# SEGMENT OPERATING RESULTS

(in '000's except percentages)	Q1'09	Q2'09	Q3'09	Q4'09	FY'09	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
<b>IPG:</b>											
Product revenue	\$454,356	\$469,888	\$471,976	\$562,978	\$1,959,198	\$556,127	\$590,212	\$607,593	\$757,652	\$2,511,584	\$708,577
Service revenue	112,788	114,057	123,229	132,363	482,437	122,569	130,144	136,475	149,502	538,690	146,152
Total	567,144	583,945	595,205	695,341	2,441,635	678,696	720,356	744,068	907,154	3,050,274	854,729
Operating margin	111,906	119,941	126,928	182,640	541,415	176,483	181,199	179,857	236,097	773,636	209,513
Operating margin as a % of segment revenue	19.7%	20.5%	21.3%	26.3%	22.2%	26.0%	25.2%	24.2%	26.0%	25.4%	24.5%
<b>SLT:</b>											
Product revenue	\$133,507	\$137,071	\$162,098	\$176,118	\$608,794	\$165,074	\$183,846	\$193,590	\$204,557	\$747,067	\$168,863
Service revenue	63,532	65,347	66,609	69,995	265,483	68,848	74,098	74,749	78,230	295,925	78,020
Total	197,039	202,418	228,707	246,113	874,277	233,922	257,944	268,339	282,787	1,042,992	246,883
Operating margin	13,101	22,151	44,361	47,379	126,992	35,137	52,570	64,600	55,697	208,004	36,360
Operating margin as a % of segment revenue	6.6%	10.9%	19.4%	19.3%	14.5%	15.0%	20.4%	24.1%	19.7%	19.9%	14.7%

All numbers are GAAP

\* Q1'11 numbers are preliminary pending the filing of our Quarterly Report on Form 10-Q.

## FINANCIAL RESULTS (GAAP)

	Q1'11	Q4'11	Q1'10	Q/Q Change	Y/Y Change
REVENUE	\$1,101.6M	\$1,189.9M	\$912.6M	-7%	21%
GROSS MARGIN %	66.8%	66.6%	67.1%	0.2pts	-0.3pts
TOTAL OPERATING EXPENSE	\$558.5M	\$565.2M	\$451.7M	-1%	24%
OPERATING MARGIN %	16.1%	19.1%	17.6%	-3.0pts	-1.5pts
NET INCOME*	\$129.8M	\$ 190.2M	\$163.1M	-32%	-20%
EPS (DILUTED)*	\$0.24	\$0.35	\$0.30	-\$0.11	-\$0.06

\* Net income and diluted EPS attributable to Juniper Networks exclude net income or loss pertaining to non-controlling interest

### Special Q1'11 items:

- Net income on a GAAP basis includes acquisition-related charges of \$5.1 million, which represented less than \$0.01 per diluted share.
- Net income on a GAAP basis includes half a cent dilutive impact from net interest expense related to the senior notes we issued during the quarter.

# GAAP TO NON-GAAP RECONCILIATIONS

(in '000's except per share amounts and percentages)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
GAAP Cost of revenues – Product	\$222,381	\$231,752	\$247,033	\$299,699	\$1,000,865	\$265,746
Share-based compensation expense	(1,105)	(997)	(991)	(1,260)	(4,353)	(948)
Share-based compensation related payroll tax	(71)	(40)	(20)	(66)	(197)	(271)
Amortization of purchased intangible assets	(25)	(308)	(1,414)	(2,554)	(4,301)	(5,198)
Acquisition-related charges	-	-	-	-	-	(960)
<b>Non-GAAP Cost of revenues – Product</b>	<b>\$221,180</b>	<b>\$230,407</b>	<b>\$244,608</b>	<b>\$295,819</b>	<b>\$992,014</b>	<b>\$258,369</b>
GAAP Cost of revenues – Service	\$78,216	\$86,610	\$87,587	\$98,241	\$350,654	\$99,981
Share-based compensation expense	(3,494)	(3,242)	(3,155)	(3,632)	(13,523)	(3,919)
Share-based compensation related payroll tax	(165)	(152)	(53)	(319)	(689)	(835)
<b>Non-GAAP Cost of revenues – Service</b>	<b>\$74,557</b>	<b>\$83,216</b>	<b>\$84,379</b>	<b>\$94,290</b>	<b>\$336,442</b>	<b>\$95,227</b>

## GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
GAAP Gross margin	\$612,021	\$659,938	\$677,787	\$792,001	\$2,741,747	\$735,885
Share-based compensation expense	4,599	4,239	4,146	4,892	17,876	4,867
Share-based compensation related payroll tax	236	192	73	385	886	1,106
Amortization of purchased intangible assets	25	308	1,414	2,554	4,301	5,198
Acquisition-related charges	-	-	-	-	-	960
<b>Non-GAAP Gross margin</b>	<b>\$616,881</b>	<b>\$664,677</b>	<b>\$683,420</b>	<b>\$799,832</b>	<b>\$2,764,810</b>	<b>\$748,016</b>
GAAP Gross margin % of revenue	67.1%	67.5%	66.9%	66.6%	67.0%	66.8%
Share-based compensation expense % of revenue	0.5%	0.4%	0.5%	0.4%	0.4%	0.4%
Share-based compensation related payroll tax % of revenue	- %	- %	- %	- %	- %	0.1%
Amortization of purchased intangible assets % of revenue	- %	- %	0.1%	0.2%	0.1%	0.5%
Acquisition-related charges % of revenue	- %	- %	- %	- %	- %	0.1%
<b>Non-GAAP Gross margin % of revenue</b>	<b>67.6%</b>	<b>67.9%</b>	<b>67.5%</b>	<b>67.2%</b>	<b>67.5%</b>	<b>67.9%</b>

## GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
GAAP Research and development expense	\$206,994	\$224,768	\$231,151	\$254,942	\$917,855	\$261,979
Share-based compensation expense	(16,986)	(18,679)	(19,315)	(23,481)	(78,461)	(22,330)
Share-based compensation related payroll tax	(755)	(430)	(228)	(793)	(2,206)	(3,074)
<b>Non-GAAP Research and development expense</b>	<b>\$189,253</b>	<b>\$205,659</b>	<b>\$211,608</b>	<b>\$230,668</b>	<b>\$837,188</b>	<b>\$236,575</b>
GAAP Sales and marketing expense	\$192,375	\$202,303	\$204,704	\$257,690	\$857,072	246,291
Share-based compensation expense	(11,728)	(13,853)	(13,439)	(15,929)	(54,949)	(13,226)
Share-based compensation related payroll tax	(432)	(1,150)	(153)	(1,177)	(2,912)	(3,386)
<b>Non-GAAP Sales and marketing expense</b>	<b>\$180,215</b>	<b>\$187,300</b>	<b>\$191,112</b>	<b>\$240,584</b>	<b>\$799,211</b>	<b>\$229,679</b>

## GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
GAAP General and administrative expense	\$43,138	\$45,880	\$43,773	\$45,068	\$177,859	\$44,924
Share-based compensation expense	(7,248)	(7,832)	(7,491)	(8,100)	(30,671)	(8,616)
Share-based compensation related payroll tax	(97)	(111)	(39)	(182)	(429)	(419)
<b>Non-GAAP General and administrative expense</b>	<b>\$35,793</b>	<b>\$37,937</b>	<b>\$36,243</b>	<b>\$36,786</b>	<b>\$146,759</b>	<b>\$35,889</b>
GAAP Operating expense	\$451,749	\$474,960	\$482,251	\$565,203	\$1,974,163	\$558,492
Share-based compensation expense	(35,962)	(40,364)	(40,245)	(47,510)	(164,081)	(44,172)
Share-based compensation related payroll tax	(1,284)	(1,691)	(420)	(2,152)	(5,547)	(6,879)
Amortization of purchased intangible assets	(1,137)	(1,204)	(917)	(972)	(4,230)	(1,544)
Restructuring	(8,105)	(264)	(181)	(2,255)	(10,805)	347
Acquisition-related charges	-	(541)	(1,525)	(4,276)	(6,342)	(4,101)
<b>Non-GAAP Operating expense</b>	<b>\$405,261</b>	<b>\$430,896</b>	<b>\$438,963</b>	<b>\$508,038</b>	<b>\$1,783,158</b>	<b>\$502,143</b>

## GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
GAAP Operating income	\$160,272	\$184,978	\$195,536	\$226,798	\$767,584	\$177,393
Share-based compensation expense	40,561	44,603	44,391	52,402	181,957	49,039
Share-based compensation related payroll tax	1,520	1,883	493	2,537	6,433	7,985
Amortization of purchased intangible assets	1,162	1,512	2,331	3,526	8,531	6,742
Restructuring	8,105	264	181	2,255	10,805	(347)
Acquisition-related charges	-	541	1,525	4,276	6,342	5,061
<b>Non-GAAP Operating income</b>	<b>\$211,620</b>	<b>\$233,781</b>	<b>\$244,457</b>	<b>\$291,794</b>	<b>\$981,652</b>	<b>\$245,873</b>

## GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
GAAP Operating margin	17.6%	18.9%	19.3%	19.1%	18.8%	16.1%
Share-based compensation expense	4.4%	4.6%	4.4%	4.3%	4.3%	4.5%
Share-based compensation related payroll tax	0.2%	0.2%	- %	0.2%	0.2%	0.7%
Amortization of purchased intangible assets	0.1%	0.2%	0.2%	0.3%	0.2%	0.6%
Restructuring	0.9%	- %	- %	0.2%	0.3%	- %
Acquisition-related charges	- %	- %	0.2%	0.4%	0.2%	0.4%
<b>Non-GAAP Operating margin</b>	<b>23.2%</b>	<b>23.9%</b>	<b>24.1%</b>	<b>24.5%</b>	<b>24.0%</b>	<b>22.3%</b>



## GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
GAAP Other income (expense), net	\$1,459	\$4,065	\$205	\$4,841	\$10,570	\$(6,462)
Gain on investments	-	(3,232)	-	(5,421)	(8,653)	(62)
<b>Non-GAAP Other income and expense, net</b>	<b>\$1,459</b>	<b>\$833</b>	<b>\$205</b>	<b>\$(580)</b>	<b>\$1,917</b>	<b>\$(6,524)</b>
GAAP Income tax provision (benefit)	(\$2,879)	\$58,700	\$61,404	\$41,556	\$158,781	\$41,271
Non-recurring income tax benefit	54,069	-	-	-	54,069	-
Income tax effect of non-GAAP exclusions	13,977	12,130	11,932	21,219	59,258	20,658
<b>Non-GAAP Provision for income tax</b>	<b>\$65,167</b>	<b>\$70,830</b>	<b>\$73,336</b>	<b>\$62,775</b>	<b>\$272,108</b>	<b>\$61,929</b>
<b>Non-GAAP Income tax rate</b>	<b>30.6%</b>	<b>30.2%</b>	<b>30.0%</b>	<b>21.6%</b>	<b>27.7%</b>	<b>25.9%</b>
<b>Non-GAAP Income before income taxes and noncontrolling interest</b>	<b>\$213,079</b>	<b>\$234,614</b>	<b>\$244,662</b>	<b>\$291,214</b>	<b>\$983,569</b>	<b>\$239,349</b>

## GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
GAAP Net income (loss) attributable to Juniper Networks	\$163,115	\$130,511	\$134,543	\$190,233	\$618,402	\$129,750
Share-based compensation expense	40,561	44,603	44,391	52,402	181,957	49,039
Share-based compensation related payroll tax	1,520	1,883	493	2,537	6,433	7,985
Amortization of purchased intangible assets	1,162	1,512	2,331	3,526	8,531	6,742
Restructuring charges	8,105	264	181	2,255	10,805	(347)
Acquisition-related charges	-	541	1,525	4,276	6,342	5,061
Gain on investments	-	(3,232)	-	(5,421)	(8,653)	(62)
Non-recurring income tax adjustment	(54,069)	-	-	-	(54,069)	-
Income tax effect of non-GAAP exclusions	(13,977)	(12,130)	(11,932)	(21,219)	(59,258)	(20,658)
<b>Non-GAAP Net income</b>	<b>\$146,417</b>	<b>\$163,952</b>	<b>\$171,532</b>	<b>\$228,589</b>	<b>\$710,490</b>	<b>\$177,510</b>

## GAAP TO NON-GAAP RECONCILIATIONS (CONT.)

(in '000's except per share amounts and percentages)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11
<b>Non-GAAP Net income</b>	<b>\$146,417</b>	<b>\$163,952</b>	<b>\$171,532</b>	<b>\$228,589</b>	<b>\$710,490</b>	<b>\$177,510</b>
<b>Non-GAAP Net income per share:</b>						
Basic	\$0.28	\$0.31	\$0.33	\$0.44	\$1.36	\$0.33
Diluted	\$0.27	\$0.30	\$0.32	\$0.42	\$1.32	\$0.32
<b>Shares used in computing non-GAAP net income per share:</b>						
Basic	521,141	524,463	520,581	523,556	522,444	530,789
Diluted	536,718	538,947	534,880	541,464	538,790	548,825