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JNPR - Juniper Networks at Morgan Stanley Technology, Media & Telecom Conference

EVENT DATE/TIME: FEBRUARY 26, 2013 / 4:45PM GMT

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PRESENTATION

Kim Watkins - *Morgan Stanley - Analyst*

Okay, I think we are on here. Welcome, everyone, to this presentation with Juniper Networks. My name is Kim Watkins. I am on the communication equipment research team here at Morgan Stanley headed up by Ehud Gelblum, who unfortunately is unable to be with us here today. And so I have the pleasure of welcoming Robyn Denholm, the CFO and Kathleen Nemeth, VP of Investor Relations and I am going to start with a disclaimer and then hand it to Kathleen for another disclaimer and then we will dig in.

Please note that all important disclosures, including personal holding disclosures and Morgan Stanley disclosures, appear on the Morgan Stanley public website at www.MorganStanley.com/research disclosures or available at the registration desk. Kathleen?

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

Thank you, Kim. Good morning, everyone and welcome. I would also like to add that, to the extent that during our discussion with Kim this morning we make forward-looking statements, there are risks associated with those and for a full comprehensive discussion of those risks, I invite you to check out our latest 10-Q filed with the SEC in November of 2012. Thanks.

Kim Watkins - *Morgan Stanley - Analyst*

Okay, thank you. In the spirit of this week also being the RSA conference in San Francisco, I thought we would start by talking a little bit about the SRX platform. That product was actually pretty strong for Juniper in 2012. It grew about 17%, but it seems like there is a divergence there between what is going on on the enterprise side of the business and the service provider. Can you talk to us about what the update is in terms of what has happened on the enterprise side and maybe weave in some commentary about the new products you have announced this week?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Thanks, Kim. So let me start off by talking about three important things that we are focused on from the Company overall and then I will address the SRX question.

So, at Juniper, what we are focused on, and we have been for the last year, is actually three important areas -- making sure that we are focused on innovation across the Company, not just the new products, but also improving and enhancing the feature sets and also the performance in terms of the existing productlines, and SRX being one of those. And I will touch on that in a minute.

The second area is actually focus on what we call excellence in execution or operational excellence across the Company and the restructuring that we did in the fall of this last year was actually aimed at getting us more focused as a company and more aligned across all of the different areas. And so -- and really positioning the Company for growth.

And the third area is capital allocation, which, over the last year, we have actually allocated capital in three ways. We have done some technology tuck-in acquisitions. We have also returned capital to shareholders through our accelerated buyback program. So on those three areas, we believe the Company is executing quite well and we will continue to focus on those areas.

If you talk about the security area, and RSA is going on at the moment, so it is very topical. If you look at our security position in our portfolio, across the board with the advent of the SRX family of products a year and a half ago or two years ago, we actually entered the service provider security market for the first time. And actually, today, at RSA and also in Mobile World Congress, we announced improvements in the performance or accelerated performance so that -- industry-leading performance in the high-end SRX for the LTE markets, which we have been capturing quite a bit of share over the last couple of years in.

If you then look at the enterprise side, that is an area where the transition from ScreenOS to Junos did not go well and we have been remediating that for the last four quarters, five quarters actually. And we have been focused on improving the product portfolio, improving the management story around branch SRX and high-end SRX and then also focused on the data center in terms of the security markets. And again, today -- it might have been yesterday, at RSA, we actually made some announcements around thought-leading innovation in terms of a set of offerings called Spotlight for the data center in terms of enterprise security.

We have also launched the Security Design and we announced on the fourth-quarter earnings call that we had over 100 beta customers in terms of that management platform for security in the enterprise. And then we also announced an extension to our partnership with the RSA organization itself, which was announced at RSA as well.

Kim Watkins - *Morgan Stanley - Analyst*

Okay. And that Security Design, just to be clear, that is the new management interface that simplifies management (multiple speakers)?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

It is. And so that is what we have been talking about over the last few quarters in terms of improvements and enhancements for the SRX platform. So the management -- Security Design is the management platform. We have also been adding features, particularly for the financial services sector and other areas of the enterprise market as well. And there is still work to do, but we are pleased by the receptivity of those enhancements by customers.

Kim Watkins - *Morgan Stanley - Analyst*

Perfect. So a couple things. Do you have any comments on or any insight into how much this expands your TAM within security by focusing on the data center and adding that piece to this?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, I mean the data center has been a focus for a while, so it's included in the TAM numbers that we put out at the financial analyst meeting last year. But it is an important area, so if you look at what is going on in terms of data centers around the network, around virtualization, in the applications, that obviously puts a lot of focus on the networks within data centers. And our offerings in terms of data center security around those areas as well.

Kim Watkins - *Morgan Stanley - Analyst*

Are there any different competitors that you see in that piece of the market, in the firewall enterprise market?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

It is evolving. The firewall market is evolving. In terms of other competitors, there are some cloud-based security areas. That's an area that if [Noauf] were here, he would talk about for quite a while. That is an evolution of what is going on. If you look at what we announced in terms of Spotlight, which is this offering, there is a lot of cloud-based services in there from a securities perspective. And as it relates to the data center, that is very important in terms of how that will evolve.

Kim Watkins - *Morgan Stanley - Analyst*

Okay, I'm sorry. I didn't mean to get so much into the weeds on products, but -- the other question as it relates to security is, if you peel out what the SRX has been doing on the security line, it looks like the remainder of the security, which is the ScreenOS product, is down about -- I think we calculated 19% in 2012. How much longer until that becomes such a small piece, it doesn't affect the overall trajectory of the security product group?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, so in terms of the enterprise security side where we did have the large install base of ScreenOS, that has been declining and you would expect it to because that productline is quite a long-lived productline. As the feature set and as the management of the SRX improves, we expect that to continue to increase and as you mentioned, SRX actually grew 17% year-over-year 2012 over 2011 in terms of that family of products, both into the enterprise and the service provider. And service provider is about 35% of our total security business and so we would expect that ScreenOS business to decline over time and the SRX business to increase over time. And one of our operating principles for 2013 is that we will stabilize the share overall in enterprise security. We have been growing it in service provider and stabilize that over the 2013 period in terms of marketshare of enterprise.

Kim Watkins - *Morgan Stanley - Analyst*

So it sounds like maybe we are a couple quarters out from seeing the true growth in the security market from being covered up by this precipitous decline in (multiple speakers)?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Well, the market is actually growing and as I said, SRX itself has been growing double digits. So we are focused on delivering the features and the management layer and we believe that over time that business will start to grow and take share. But, at this point, we are focused on stabilizing that share.

Kim Watkins - *Morgan Stanley - Analyst*

Got it. Okay. Let's take a step away from security and enterprise and talk about service provider because that is a big part of your business. At a high level, it seems like service provider spending is really picking up this year, most notably in the US. It seems like carriers just can't starve their networks forever. What are your service provider customers telling you both in the US and around the globe as it relates to spending plans and targeted projects built in 2013 and how does the appetite for investment differ across the different kinds of service providers that Juniper counts as customers?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

In terms of the fourth quarter, we actually saw quite good demand across all four verticals in the US. And when we say four verticals, we mean wireless and wireline carriers, content and cable in terms of the four verticals. And so we saw good demand across all four of those areas. Primarily in the edge, we did have a record MX quarter for a service provider in the fourth quarter and what we also saw and have been seeing are some n emerging signs of growth in EMEA.

So whereas the first half of last year, we were talking about EMEA being quite bad in terms of demand across the board, what we did start to see in the third and fourth quarter is some emerging signs that that will turn around eventually, which, of course, from a cyclical perspective, you would expect. So your opening comment around service provider demand can't be put off forever, that is the case. What we have been focused on is making sure that we have the right products in the right place for service providers across the world when they start spending again.

And what we saw in the fourth quarter was that starting to happen in the US and we also have talked about that continuing through the first quarter of 2013 even though we have guided down for a sequential decline, which we would typically see in the first quarter of the year.

So from our perspective, the US momentum should continue. EMEA, we have started to see emerging signs they are spending and Asia-Pacific is a little bit mixed.

Kim Watkins - *Morgan Stanley - Analyst*

Okay, just digging into Asia-Pacific for a minute, one of the areas -- we had Cisco here yesterday and they were talking about the weakness that they are seeing in China. You have seen it, it seems like as well, if you look at what happened to APAC in Q1. Is Juniper experiencing the same political fallout that Cisco is in China? And can you talk to when you see that improving and exactly what is going on there?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, our approach in China has been for quite some time very surgical, very targeted in terms of the customer, the customers that we actually go after, both on the service provider and quite frankly on the enterprise side and so our team has been performing very well in China.

What we saw in the fourth quarter was actually a decline from the third quarter, which was a very strong quarter for us. So I would say the business in China has been lumpy like it is anywhere where we are building out things.

In terms of the overall market there, our approach will be the same going forward in that we are very targeted, very surgical in terms of where we actually focus in terms of that market.

Kim Watkins - *Morgan Stanley - Analyst*

So it sounds like it is more related to -- as opposed to being related to a macro demand situation for Juniper in China, it is product and particular customer deployment-related?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

For the fourth quarter, that is exactly what we talked about. The fourth-quarter demand -- we didn't -- obviously, in the third quarter, we had actually a spike in demand, an increase in demand and we saw that come down in the fourth quarter.

Kim Watkins - *Morgan Stanley - Analyst*

Okay. Just in terms of more specifically on the product categories in routing, routing for Juniper looks as if it has been lagging Cisco with the exception of maybe the fourth quarter where Juniper was up and Cisco was down. Is there any specific share loss there or is this more related to product cycles being out of lockstep between the two companies or perhaps geographic focus, you are a little bit heavier in the US, Cisco is more globally focused with their business. Can you just comment on that and give some insight into what exactly the dynamics are in that market?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, I think the first thing is the long-term demand fundamentals of routing are very strong, very solid from our perspective. What we have seen over the course of 2012 is actually a cyclical demand in terms of different areas around the world and different parts of the network as well. Traffic volumes are not going down; they are actually continuing to increase across all of the verticals and globally actually in terms of all geographies. And so what we are saying is, in some areas, there were policy movements made to actually reduce the amount of CapEx in terms of policy decisions around how companies would run their networks or how much redundancy they wouldn't have in their networks, that type of thing.

But over time, what we see is buildouts in the edge for services. Different offerings in different parts of the network will ultimately result in core buildouts as well. And so that type of cyclical buildout is what we have been anticipating for a while, making sure that we have the right products in the right place at the right time for the customers.

And so irrespective of whether customers have been spending in any particular quarter, we've continued to work on the architectural changes that the products that we have in the market will actually deliver for our customers. So if you talk to any of the service provider customers, what they are focused on is cost per bit of traffic, making sure that they are getting the most efficiency from their CapEx. That is what our solutions do both in terms of the core and the edge. In terms of our service offerings and deployability of services, again, we are focused on that as well.

So if you look at routing, whether it is core or edge or even access, we have the most robust portfolio of products we have ever had across all of those domains and the most competitive that we have against any competitor out there.

So again, from a spending perspective, we have seen some momentum in the US across all four verticals. We are seeing emerging signs and our view is we need to take share over this next period of time with the portfolio that we have in routing and also in switching. And in security, we have also said that we will stabilize the share in the enterprise and go from there.

Kim Watkins - *Morgan Stanley - Analyst*

Okay. So just to get back to my question about your performance in contrast to Cisco's performance, it sounds like it might be more related to where you are focused versus where they are focused globally or --.

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, I mean I look at two things. One is marketshare data, which is obviously a factor of revenue over the total that is being sold in any one period of time. But I also look at footprints and the amount of customer wins that we are having. And there is no question, over the last core cycle, we took footprint in terms of the core. Any one quarter, any one period of time, the revenue may have been different to our competitors.

And then if you look at the edge, we have absolutely been building footprint with the edge portfolio that we have had from an MX perspective and that portfolio is getting stronger with the 2010 announcement that we have just made over the last period of time that starts shipping this quarter. That is a very robust portfolio. With ACX, with our new Access routing portfolio, the same thing there. So our view is, over time, clearly, we intend to continue to take share, as well as grow the footprint.

Kim Watkins - *Morgan Stanley - Analyst*

Great. That is really helpful. You mentioned MX and you mentioned it a couple of times now. Record quarter in Q4. Was that an anomaly caused by mix and more customers were sending or to what extent is that sustainable now? Is it some kind of secular driver that is going on now, so maybe Q4 is the new base level or should we expect that to see volatility?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, I mean our MX portfolio, the product family that is called MX has been in the market for a period of time. It started shipping in 2007. However, we have extended that portfolio significantly and the service offerings that that portfolio has in terms of being a universal edge set of solutions is industry-leading. And our view is that we have been adding footprint, adding customers with that portfolio and extending the reach of the edge products.

So our view is, with the 2010 as I just mentioned, that we will add additional areas within the edge that that can serve. And the other important portfolio that we have just touched on is the ACX. We had not been in the universal backhaul market before. With the advent of that product late last year, we are actually now in that area as well. And it is an architectural solution that goes all the way from the access point, bringing that universality out to that point, all the way through to the edge and the core of the network.

Kim Watkins - *Morgan Stanley - Analyst*

Okay, so to read between the lines there, it sounds as if the MX could continue to be strong for you given the innovation that occurred on that (multiple speakers).

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

The product portfolio -- sorry, the product family of MX is a very strong product family.

Kim Watkins - *Morgan Stanley - Analyst*

Okay. And then to the ACX and your comment about end-to-end portfolio, quite a few of the decisions -- so you have got some large MX customers in North America and the decisions on Ethernet backhaul has been made in this market already. Where do you see the opportunities for that platform? Are they primarily international?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, we are seeing good traction with the ACX portfolio in terms of trials and beta sites around the world. Obviously, the LTE moves and again convergence of the networks are only just starting to happen elsewhere as well. So near-term opportunities will obviously focus more heavily outside of North America. But we see long term there are opportunities in North America as well.

Kim Watkins - *Morgan Stanley - Analyst*

Okay, interesting. Core routing. Core routing has been interesting because it was actually very weak for Juniper in 2012 and typically, we see this offset -- edge was strong, core was weaker. Maybe that is what is [lost] in the future, but a couple of stats. Juniper's revenue was down 19% in 2012 according to the Dell'Oro data. The market declined about 10%, which is somewhat of a surprise given T Series, T4000 was updated in Q1, I believe. PTX, another core routing product that is captured in that category, came out in Q2. You talked about the T4000 being strong in Q3 and a little bit weaker in Q4. Has the T4000 met your expectations and very specifically on the core, what do you see from a competitive perspective?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, I think, from a core perspective, as I mentioned before, our view is that the core dynamics in terms of market demand is good over the long term and clearly, we have had -- we have actually the most comprehensive core set of solutions of any company out there.

In terms of 4000, that is an upgrade cycle from our large install base of T Series chassis that are out there, T640 to T1600 and now T4000, which is that upgrade cycle, which is the fastest way for any customer to actually double the capacity of their core routers by changing out the line cards and interconnects.

And in the third-quarter earnings call, we actually said that the interconnect, which is the first step of upgrading the core, has started. So we started seeing that in the third quarter. Saw a little bit of that in the fourth quarter. But we actually had a very strong edge quarter in the fourth quarter.

If you then look at the architectural change that is happening in the core as well that we are driving, collapsing layers within the core, the PTX is the solution for that. There isn't another solution out there from any competitor. So we are starting to see that take hold. We talked about that on the fourth quarter, that that demand was strong for the PTX. And then if you look at the MX 2010, that also, in certain types of core environments, extends the surface's edge into the core. So our view is we have the most comprehensive core offering of any company out there and that we intend to make good use of that portfolio in terms of taking share in the core.

Kim Watkins - *Morgan Stanley - Analyst*

And then back to the T4000, how long does that cycle typically take, existing customers upgrading?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Well, if you look at the T1600, that started shipping late 2006, early 2007 and so -- and that cycle took through till 2011. So it takes some time to actually upgrade, but our view is a combination of upgrade of the T Series, as well as extending our reach with the PTX into our competitive core in terms of the offering that we have in the marketplace is better than any other competitor out there.

Kim Watkins - *Morgan Stanley - Analyst*

You mentioned the PTX. I think actually the platform seems to be doing very well. Do you think there is any risk that it is cannibalizing the core router sales, the T4000 potentially?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Well, yes, in terms of the architecture, PTX does exist within the core and it does collapse layers. So it does change the shape of the core. And there is no question that customers that want to take advantage of that collapsed layer will do that. Our view is the combination of the two things, T4000 and PTX, will extend our footprint into the core over this cycle and so our view is that the combination of the two things will add to our overall addressable core footprint.

Kim Watkins - *Morgan Stanley - Analyst*

What percentage of the PTX deployments our customers that are new to Juniper versus existing T Series?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

We have a combination of (inaudible). We have not only new customers, but existing customers where we haven't seen in the core before deploying PTX, as well as customers that have a T install base that are deploying PTX. So we have a combination of both. We haven't disclosed the percentage, but we have a combination of both and actually we are pleased with the traction of both products. In fact, we are pleased overall. I announced at a financial analyst meeting last year that we would exit 2013, Q4 of 2013 with $150 million a quarter run rate or $$600 million a year annualized for the five new products, and as of Q3 of 2012, we approximately 50% of the way there in terms of the bookings that we experienced in the fourth quarter. So our view is that we are on track for that goal.

Kim Watkins - *Morgan Stanley - Analyst*

When we think about that mix -- that was actually the next area I wanted to get into -- how big is -- some of these bigger products, T4000 is an upgrade cycle. It has got a disproportionate percentage of the $150 million or is it relatively spread across T4000, PTX?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

We are seeing good traction across all of the areas, whether it is T4000, PTX. They are both sort of performing as per our expectation. Our QFabric, we talked about that on the fourth-quarter earnings call. We actually saw a net new 130 customers in terms of the QFabric M, which is our smaller version of the QFabric and ACX as well. As I mentioned before, we have seen some good customer traction with that. And then MobileNext is the fifth product that rounds out the five for the goal that we put out there.

Kim Watkins - *Morgan Stanley - Analyst*

And I think to date you have announced one customer for MobileNext.

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

We have announced one customer in production, which is Elisa. That is actually in production and they are very pleased with the product set that is in production.

Kim Watkins - *Morgan Stanley - Analyst*

Any comments on numbers of trials or anything going on with (multiple speakers)?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

We haven't talked about trials publicly on the MobileNext platform yet.

Kim Watkins - *Morgan Stanley - Analyst*

Okay. You mentioned QFabric and the new mini version of the interconnect coming out and that kind of rejuvenating that product category. How long does it take to see -- I mean the product family has been out for quite a while now. How long until we get a ramp there of that product to a meaningful level?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

If you look at switching overall, switching is an area that we have continued to take share in. If you look at EX, which is a two-tier solution, we have called out that year-over-year growth of about 8% year-over-year and the market is growing much less than that. You add to that QFabric and that is our switching lineup in terms of the market. Our view is that we will continue to take share both in terms of two-tier solutions for the data center and our campus and branch solutions, as well as the one tier solution which is QFabric.

QFabric is a very different architecture and our view is that it does take time to seed new architectures particularly in an established market like the data center and we are pleased with the performance over recent quarters in terms of the number of customers and the traction. Obviously, there is still a long way to go in terms of that market. It is a large addressable market, but we believe that some of the feature sets that we have added to the product portfolio, as well as having a smaller deployment footprint actually addresses some of the concerns that we were hearing with customers that had been [in trial].

Kim Watkins - *Morgan Stanley - Analyst*

Okay. Switching category in general, you mentioned on your last call that orders grew a pretty impressive 19% up sequentially I believe. Is that what we should expect for product revenue growth next quarter? And just to get back, you mentioned 8% growth is above the market. How quickly does switching grow for Juniper over time given that you are in a share gain mode in that market?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, we have called out switching as an area that we believe that we will take share in terms of how we intend to grow revenue as we move forward. So obviously, routing, we believe, we will take share given the portfolio and given the dynamics of that market and then also in switching as well. Data center is our primary focus, both two tier and single tier, but also some of the offerings that we have on the wireless LAN side and the campus and branch. And so those areas we have continued to strengthen the portfolio of products across last year and that resonates with one of our main three focus areas, which is actually to continue to innovate in the space and to drive the strength of the portfolio.

Kim Watkins - *Morgan Stanley - Analyst*

So back to the comment about the order growth, should we expect to see revenue grow anywhere near that or is that orders over several quarters or how do we put (inaudible)?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Well, our backlog is always revenue over two quarters. In terms of the growth in bookings, we were very pleased with that and coupled with the year-over-year full-year revenue growth. So our view is again timing may vary in terms of different portfolios and that type of thing or different rollouts switching. But we will grow revenue and grow share in that portfolio.

Kim Watkins - *Morgan Stanley - Analyst*

Okay. Bob Muglia recently presented Juniper's SDN strategy to your partner conference middle of January. And I don't want to get into product details because --

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Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Good.

Kim Watkins - *Morgan Stanley - Analyst*

-- I know it is not your area of expertise, but what feedback have you been receiving from customers and prospective customers from more of a financial implications perspective in that is there confusion now in the market that SDN is causing -- that could potentially cause a pause in demand?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, I think in terms of the dialogue that we have been having with customers and we have been having a dialogue with customers for a while. If you look at SDN and the principles that we outlined in terms of the six principles around centralizing activities, they are very similar to the core principles that we have and have had in the data center for a while.

If you look at QFabric, the architecture of QFabric is very similar to the architecture of SDN controller with the interconnect and the director. It is actually -- We have obviously open protocols between the two areas.

So our view is that we are very well-positioned to take advantage of the SDN movement. In fact, our view is, given that we have had product with QFabric in markets for a while, we have learned from a lot of those early customer interactions and the deployments that we have had. And so it positions us very well. We have to execute, but we believe we have the properties from a software perspective, a systems perspective and a silicon perspective to actually take advantage of SDN type of movement within networks.

If you go back all the way to 2009, actually we talked about software-driven networks or software-led networks way back then, which has actually made its way into a lot of the product deployments and the product developments that we have had over the last few years.

Kim Watkins - *Morgan Stanley - Analyst*

Okay. I had a couple more questions on products, but I think I am going to transition to financials since you are the CFO. There are a couple of burning topics here before we open it up to the audience questions. You have done quite a bit of restructuring, taking quite a bit of different restructuring actions. What is left to do, how do we see these cost savings now that you have talked about flowing through the year? And then where does this set Juniper up relative to operating margins longer term? Can we get back to the 25% plus level that we saw before the falloff in mid-2011?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, so as I said in the opening remarks, the main focus of the Company is growth and it has growing revenue; it is also growing EPS. And one of the ways that we have done that is to restructure the Company and we have really taken the opportunity as we have restructured things to get more focused and aligned across the board.

And so both of which were contemplated in our financial analyst presentation and the new long-term model, if you like, that we put out in June. So we talked about operating expenses being between 39% and 42% of revenue in our long-term model. The actions that we have taken get us closer to that sort of level. That range is for the three years to 2013 through '15 and so the actions we have taken, the focus that we have will enable us to get into that range over that period of time.

Kim Watkins - *Morgan Stanley - Analyst*

Okay. So just as the year progresses, this year, 2013, is the new baseline, your guidance for Q1, mid-teens level and then we should see it go up throughout the year as the cost savings flow through?

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Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, so we talked about in the third-quarter earnings call that we would take out about $150 million of cost year-over-year, some of which obviously would be in COGS and some in OpEx, about 75% to 80% would be in OpEx. If you take the $515 million plus or minus $5 million, which was our -- sorry, $510 million plus or minus $5 million, which was our guidance for the first quarter, you can very -- and you project that forward, then you can very clearly get to the numbers that I have talked about in terms of 75% to 80% being in OpEx.

The profile of things, we have largely completed the headcount actions that we discussed on the third-quarter earnings call. Things that are still coming through, we obviously have some supply chain things that we are working through, procurement savings, as well as facility things, which will take a little bit longer to actually realize.

I think the higher the order bid for me is that ongoing we have a series of operational excellence programs, which will continue to drive the focus on operating expenses and also on cost savings and our focus and alignment around the Company. So I think that is the most important thing. Obviously, the operating expense reductions you will see in the P&L.

Kim Watkins - *Morgan Stanley - Analyst*

Okay. Great, before I go on, I wanted to see if there are any questions in the room. We have one in the back.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Hi, I just have a quick question on your SDN strategy. You guys have a very strong ASIC shop, I mean you have your own ASIC for your MX products, for example. Given the fact that SDN is really focused on more standard merchant silicon running on software and given the fact that you wanted to cut costs off of your financials, how should we view your investment in ASICs going forward?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

So our investments in silicon are a very core part of the strategy. But we have always had and we will continue to have both our own developed ASICs where they are important for the system and the performance and what we are actually trying to drive, as well as the combination of off-the-shelf or merchant silicon.

So our strategy has been very clear over time that we use the silicon that we develop for specific areas where that will drive the performance. And actually if you have a look at the Mobile World Congress presentation that was being done this morning from Rami, it actually goes through what that looks like and why we think that that silicon investment over time makes a lot of sense even going forward.

So I think one of the big myths about SDN is that it is only about software. That can't be the case. When you are in the network, it has to be about a combination of all three and it is arguable that -- arguably, over the past period of time, there has been too much focus or an imbalance of focus between the three things -- software, silicon and systems. Our view is that we have been focused on software for quite some time and the industry is now understanding that as well. And so you have to have a combination of all three to deliver a network that scales and that actually delivers the performance that you need from the volume of traffic that is going through both on the service provider side and on the enterprise side.

Kim Watkins - *Morgan Stanley - Analyst*

Any other questions in the room?

Unidentified Audience Member

Hi, it seems like core routing is still a key profit engine. Just wondering what your views are on the long-term growth of that market. There is all types of estimates out there, but what do you think it can grow at and how is Juniper poised to exceed that market growth rate, if at all?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, if you look at routing in general and then break it up between core and edge, we believe that we will take share in routing in general. One of our operating principles for 2013 is that we will see modest growth in our end-user markets in routing and in switching and security and that we will take share in both routing and switching and then stabilize in enterprise security.

So our view is the long-term fundamentals in terms of the traffic growth and the amount of things that are being done on networks around the world will continue that growth from a market perspective. In the 2013 year, we are expecting modest growth in those markets and then we will grow faster than that given our portfolio strength and the interactions that we have with customers.

Unidentified Audience Member

(inaudible) single-digit growth rate for core routing?

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

We haven't put out a growth rate for 2013. We talked about the three-year growth rate at our financial analyst meeting for routing in June, but, for 2013, we haven't put out a growth rate in numbers. We have talked about a modest growth rate.

Unidentified Audience Member

Good morning. We have seen higher CapEx guidance from AT&T, T-Mobile, I think even Sprint now. Do you think you have started to see the benefit of that with the stabilization in your results in 4Q and the constructive guidance into 1Q or do you feel like you are still having planning conversations with the network vendors such that the ramp by might be more of a 2Q second-half type event? Thank you.

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Yes, I mean in terms of how we pull together our forecast from customers' perspective, clearly there are 100 service provider customers around the world that really define in terms of our markets the amount of spend that happens. There is obviously about 600 customers we have, but about 100 that really make a significant impact.

When we are working through and looking at the trends, we are looking at the spending patterns of those areas. There is sometimes little correlation and sometimes there is a lot of correlation between the public guidance in terms of their overall CapEx because clearly that has things in it that we don't address. And also the headline numbers may be different to particular parts of the network that they are actually spending money on.

So in terms of our view that formulated our operating principles for the year around modest growth in terms of our end markets, that is taking into account our conversations with customers on the service provider side, as well as on the enterprise side as well. And when we look at the guidance that we put out for the first quarter, it is taking into account how quickly some of the programs will ramp or not in the first quarter. And so we did put out guidance that had a sequential decline largely on enterprise seasonality that we see, but also we said even though we think the momentum in enterprise will continue -- I'm sorry -- in US service provider will continue, in the first quarter, we expected a sequential decline.

Kim Watkins - *Morgan Stanley - Analyst*

I think we are out of time. Thank you so much, Robyn and Kathleen, for being here.

Robyn Denholm - *Juniper Networks, Inc. - EVP & CFO*

Thank you. Thanks very much.