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JNPR - Juniper Networks at Bank of America Merrill Lynch Global Technology Conference

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PRESENTATION

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

I would like to remind you that to the extent we make forward-looking statements during our discussion with Tal this morning that there are risks and uncertainties associated with them. For a full list of those risks, please see our most recent filings with the SEC, both our 10-Q and 10-K. Thank you.

Tal Liani *- BofA Merrill Lynch - Analyst*

So I'm very pleased to host Kevin Johnson this morning, CEO of Juniper. Actually I was looking forward to this discussion because I am getting a lot of questions from investors about Juniper. The question is, is the Company in secular decline or is it just a cycle? And with all those investments in new products and new markets there's going to be a recovery, or will there be a recovery?

The questions are very fundamentally driven in the sense that it's not about the quarter. It's not about the numbers even. It's really about Juniper's position in the market and the strength of Juniper in the market.

So with that in mind, I'm going to ask Kevin a few questions about the fundamentals and it's more long-term in nature, because that's what we are trying to understand. The first question is really a high-level question, which is you invested in many initiatives over the last three years and many products are coming to market right now. How do you balance between the desire to keep margins up and the desire to actually broaden out the portfolio such that you create many avenues for growth?

How do you allocate the resources between all these products that -- a lot of them are in different areas, they are addressing different opportunities all together?

Kevin Johnson *- Juniper Networks, Inc. - CEO*

First of all, the focus that we have at the Company is in the domain of high performance networking, so we are very focused on high performance networking. And we've got three businesses, basically -- routing, switching, security. Each of those businesses we think has a significant addressable market and has addressable markets that are going to continue to grow. So we start with that premise.

Now over this last year I think there's been three key things that we've done. Number one, I think we've certainly strengthened the product portfolio. And that's a function of some of the new products that we have shipped, but it's also a function of continuing to enhance the capabilities of some existing product [families].

For example, the MX. We look at the MX and the way we've taken the MX edge router up to the high end. So we have strengthened the product portfolio.

Number two, we focused a lot on operational excellence and execution, and part of that is the restructuring work that we did in Q3. Part of that restructuring work, we did pare down some of the investments that we had in some new areas. For example, we were building out from our media caching function into content distribution networks and we have cut that. We basically said that is not going to be on the priority list.

In the area of mobile device management, we reduced that aspiration and the set of investments that we're going on there, which allowed us to focus. So in many ways the number one focus is going to continue to be our service provider business and service provider routing.

We've got a very strong service provider business. We've enhanced our position in routing at the core with the high end, with the PTX, with the upgrade to the T series with the T4000. And with the MX2020 we've now taken the MX family up into some scenarios that start to address core needs as well.

We strengthened our edge routing business with continued enhancements in the MX, new linecards, new scale capabilities, but we also ported functionality from the E Series into MX. So customers now looking at that MX as a universal edge solution. And we expanded then into the access layer with the ACX and the backhaul.

So certainly SP routing is a priority. In the area of switching I would say data center is the priority there and certainly the investments that we've made to build the switching business and it's kind of an anchor to our enterprise business. Our enterprise business has grown from $800 million a year five years ago to about $1.6 billion a year, and much of that has been the focus on data center, both for switching and security.

So now we have our QFabric product line, which is making progress, and we have our EX product line. We just came out with some new --- a new EX9200 core router. The opportunity there, frankly, now is convergence of those two platforms over time into single platform that provides the architectural approach to get customers to a flat data center architecture.

And then certainly security and the investments we make in security. I would say that the R&D allocations that we make and the projects that we select, we prioritize the businesses of routing, switching, security. We are very clear that continuing to evolve and keep our routing portfolio fresh and healthy is core to the business, where we generate a lot of revenue and a lot of operating income.

We are clear that one of the growth drivers is our ability to continue to grow into the enterprise and that's the focus on the switching and security. Then you intersect that with new paradigms in the networking space, like software-defined networking and network function virtualization. So there's a set of things that we think touch data centers as well as service provider edge.

Tal Liani - *BofA Merrill Lynch - Analyst*

You mentioned in your answer we started the discussion with service providers. In the last quarter we've seen a few things. First of all, weakness in service provider spending across the board, many companies in many areas of tech. That is not just communications equipment or routers.

Second, we have some statements from AT&T that said -- cut their budget twice over the quarter and said in one of the conferences we can just do more for less. If I translated it, it's Moore's law; more capacity for lower price.

How do you --- what is your view on service provider routing, service provider spending on your types of solutions, not overall? Are you optimistic or is there an inherent risk to the market, technological risk or just growth risk?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

First of all, a big part of the investment in R&D in the routing portfolio for service providers is to help service providers carry that traffic at a lower cost per bit of traffic.

The last time I ran the numbers over the last decade, I think the cost per bit of traffic just in the innovation coming from routing has been able to be reduced 20% to 25% CAGR over that 10-year period. So there's constant push to deliver solutions that help them lower the cost per bit of traffic, and that's a function of not only the capital expenditures but also the operating expenses it takes to run these networks, the power consumed.

So there's always going to be a focus on reducing the cost per bit of traffic, providing our customers a more efficient platform to carry this traffic. And that's certainly offset by a couple things.

Number one is just the growth in traffic. Traffic has been growing much faster than that reduction in cost per bit, which is what has been creating demand and growth in the addressable market.

The other thing to keep in mind is that IP package switch networking is somewhere between 5% to 6% to 7% of the service provider's total CapEx. It's a small piece of their total CapEx expenditures. And as they move my legacy networks onto IP packet switch networking, it's going to become a bigger and bigger piece.

So even if service providers keep their CapEx expenditures relatively flat, the portion within their CapEx that is focused on IP packet switch networking we believe will continue to grow as a percentage of total CapEx. And that's a function of the traffic growth and a function of the innovation that is reducing cost per bit of traffic.

I will then throw in another dimension, which is service providers are now looking for ways to reduce cycle times and deploy new services for their customers. It allows them to better monetize their networks. So the game is not just in reducing the cost per bit of traffic, it's also enabling new services or enabling an increase in the value per bit of traffic that service providers can derive from their investments.

And that's where technologies like our universal edge come into play and technologies that we are working on like our service delivery gateway and some of the software assets that we are building are helping our customers. So I'm optimistic that this is -- the demand for networking, and specifically IP packet switch networking, I think is going to continue to grow.

Tal Liani - *BofA Merrill Lynch - Analyst*

When it comes to more 2013 and one of the -- when I present these views to investors they say -- the responses very generic, primarily. It's always the same response. You said it in 2011, you said it in 2012, now you are saying it in 2013. Meaning that we are coming off multiple years of disappointment overall in investment and routing.

What makes this year more --- and you are optimistic. You were optimistic on the last conference call that things are going to improve eventually. What makes you optimistic that it's going to be more near-term rather than very long-term?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

Well, first off, I looked at the long-term view. If I look over the last 10 years you can see sort of the ebbs and flows of those CapEx expenditures. Some of it is influenced by macroeconomic conditions and how service providers are looking at CapEx. Others influenced by the projects they are prioritizing and some of the inflection points in the industry, specifically things like global Internet that driven a lot of that.

But when I look near-term I think the last couple quarters on the quarterly calls I've been clear that we continue to see an uptick. And if we look at our North America service provider business, we had significant growth in that just in this last quarter. In the last call we also suggested that we saw signs of European service providers starting to pick up.

If I just looked at our current quarter, two months into the quarter the linearity is tracking above historical patterns and so that's reinforced by the fact that I think there's now continued uptick in terms of the routing spend by service providers. And so our job is to make sure that we are positioned for that.

By being positioned for that that means, number one, have we built a great set of products? Do we have strength in our product portfolio in the core? Do we have strength in the edge?

We now have an access layer. We've got a set of software assets now are complementing in our systems, so do we have strength in the portfolio? Number two, do we have the right account teams assigned to our key service provider accounts and do we have a deep strategic relationship?

Number three, are we being agile? When there is an opportunity, there is a project, are we plugged into that project? Are we able to move quickly? Are we able to put the right proposal on the table and be mindful of the competitive dynamics?

And I think in all three of those dimensions I think we are well-positioned.

Tal Liani - *BofA Merrill Lynch - Analyst*

So I want to take you through a few interesting products that you have in the market just on standard opportunity there. T4000, new product; on one hand there is a refresh cycle. On the other hand, we do see Alcatel in the market, kind of a new player in the market in the core.

How do you see your position in the core markets? What drives the growth? How do you compete with Alcatel that was pretty successful on the edge side when they launched a few years ago?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

I think certainly we've got a lot of great competitors. Specific to the T4000, any customer, any existing T Series customer, the T4000 is going to be the most economical way for them to upgrade their capacity for their network. The fact that they leverage the investment in the chassis and they can utilize the new line card, it's just a more economical way for them to do that.

But we view the architectural dynamics going on in the core as having a few different dimensions. Certainly we've introduced the PTX converged super core, which is --- provides an NPL switching approach to collapse multiple cores together. And so that at the very high end is a differentiated product that none of our competitors at this point can claim that they have.

A number of the large service providers where we are driving our wins with the PTX, there's not necessarily a competitive alternative. Our existing T Series customers, the T4000 is the easiest way to upgrade. And we are seeing some customers that in the core -- and sometimes it's the metro packet core, sometimes it's the core -- they want to have more service functionality. So even things like the MX2020 is starting to push up into that core.

So, for us, we have a range of solutions, everything from the packet transport types of solution that leverages optical to an upgrade to T4000 to an MX2020 that brings services. And we think that is a unique proposition.

Tal Liani - *BofA Merrill Lynch - Analyst*

Give us an update maybe on PTX. Very differentiated. We haven't seen any such similar product in the market, so if you are going to be successful you are probably going to be very successful. And the opposite also.

So where do you see --- what are the use cases for PTX? Where do you see demand and where you don't see demand for PTX?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

The first PTX system that we released was the PTX5000, which is a very reasonably large PTX. And so the use cases for that were usually large service providers that had multiple networks, multiple cores that were looking to collapse those into a single converged super core, reduce the layers in the network.

As a result, they could do two things. They would have a significant amount of CapEx avoidance in trying to now upgrade multiple cores, and, number two, they would reduce their operating expenses for running that network. You've seen the large Tier 1's the US have been focusing on a project very similar to that and that's consistent with what we have seen.

We just introduced a PTX3000, which is now a smaller package of that same very high-scale converged super core. The use case for that in many ways is I think going to be customers that are looking at things like a metro pack and core. Where they are actually putting a small core in a metropolitan area that now is handling all of the traffic within that metropolitan area, and being able to leverage that with optical.

So right now those are the two use cases. Now we are also seeing a lot of interest in that in some of the content service providers that are having to carry a significant of traffic across their network as well.

Tal Liani - *BofA Merrill Lynch - Analyst*

At the edge you also have a differentiated product, the ACX, that tries to push the intelligence to the edge. How -- you highlighted ACX on the last conference call. Can you elaborate a little bit about, again same question, use cases and where do you see the opportunity?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

We've got our core routing products, our flagship edge routing product family is the MX and that continues to be phenomenal. What we've now done is moved into the access layer, so three, four years ago there was a significant wave of investment in what was called backhaul, basically -- especially on the wireless side, to provide a routing capability or switching capability from the cell tower to backhaul that traffic into the edge.

We introduced the ACX product line, which is -- we are taking the same strategy we took with the MX. The MX we focused on what we called a universal edge. That meant that it was an edge router that could serve wireless customers, wireline customers, and business scenarios. So you can do anything from wireless to residential to business and all the services that you would want to run can run on that same one router.

The reason that is important or relevant is customers that invest in the capital expenditure, they've got much more flexibility in terms of how they are using that network. They don't have to build multiple networks. They can utilize the same edge network for services there.

We have now extended that to the access layer with the universal access concept, so the ACX is differentiated in three ways. Number one, it is a Layer 3 switch capability, so if they want Layer 3 services all the way to the access layer, they can do that. By providing that, it means they can have Layer 3 services for the wireline consumer side, for the business side, and for the wireless backhaul. So that's one area we have differentiated.

The second area is just in some of the packaging that we've done. It has got no moving parts, no fans. So these routers that sit out in harsh elements and very distributed environments, you want to make sure that they are able to perform and don't break.

The third is related to the technology in that ACX router for timing. We had acquired some assets from brilliant technology that basically allowed these routers to keep their costs in synchronization, which is very important on the wireless side. When you have mobile devices going from one cell tower to another keeping timing synchronized is a very important capability.

So those are the three areas of differentiation that we have focused on. We think it's a real extension of the strength that we have in the MX edge to now take that to the access layer.

Tal Liani - *BofA Merrill Lynch - Analyst*

I want to --- so we covered most of the routing portfolio and opportunities, and I want to go back to kind of the high-level question on the routing portfolio. Competitors of Cisco are claiming that Cisco is way more aggressive now; in some states pricing, some states bundling. Cisco calls it architectural plays. And Cisco itself is very aggressive in their statements about their competitors.

Do you see the change in the pricing dynamics of the market? Do see Alcatel and Cisco, or any other player being more aggressive in pricing? And does it have an impact? If yes, does it have an impact on your margins? How do you mitigate any pricing pressure if there is?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

Certainly we've got a lot of competitors, good competitors. You mentioned a couple of them there. I think certainly in cases where Alcatel Lucent has had some financial challenges in terms of how they are driving their cash flow. There might be cases where they will be more aggressive in a certain opportunity or certain deal on price.

We see that on occasion. I wouldn't say it's a broad occurrence but we do see that on occasion. And similar to Cisco. Cisco if there's opportunities that they want to prioritize and be more aggressive on price. We've seen instances of that as well.

We haven't seen it in terms of sort of broad pricing action. We see it more on a case-by-case basis. And so, for us, there's three things that we've got to do to continue to be competitive and to drive market share.

Number one is, first of all, you got to make sure you've got a great set of products. If the products are differentiated and the products are viewed as great products by the customers, that's job number one.

Number two, we have got to make sure that we've got the right account team and the right strategic relationship with the customer. Over the last two years we've been going through systematically across our key service provider accounts and raising the level of caliber and capability of our account executives on these accounts. Surrounding them with the resources, whether it's professional services coverage or systems engineering coverage, in order to establish a much deeper, strategic relationship with those customers. And I think that has been --- that is part of the execution focus that we've had and it's helping.

Number three is agility. Meaning if our account teams see an opportunity and see our competitors using price as a differentiator, it's up to us to be thoughtful and surgical in how we are going to make sure and compete for that business. And so great products, the right level of accounts, strategic relationship with the customer and agility in how we go to market I think are key.

Thus far, we haven't seen --- we have seen certain opportunities. We've had to be more aggressive on price, but that has been I think on a more surgical case-by-case basis depending on the scenario and the circumstance. But we haven't seen broad pricing action that would cause general concerns there.

Then, number two, I think we've been very clear about our cost initiatives. Our cost initiatives are a combination of taking out costs on the operating expense side, but also being much more efficient in our supply chain. We have so many opportunities and we have taken action and there's more that we will take to be more efficient on supply chain.

By doing that it reduces cost of goods sold, reduces our manufacturing costs. That allows us to be more efficient and positioned if there are pricing actions we need to take. We are also taking action then on the cost side of the equation that allows us to be more aggressive without compressing margins.

Tal Liani - *BofA Merrill Lynch - Analyst*

I want to switch to the security portfolio, just going by order of importance through the numbers. We've done multiple discussions with your executives about the security portfolio and they are going to a major transition. If I just look at the numbers, the SRX collectively is growing and the older NetStream is declining, and it seems more deliberate than accidental.

I've seen all the new features that you launch is on the SRX side, not on the older. So can you tell us first the strategy? What is the strategy with security? And what do you still have to do; at what point do we start seeing this segment growing?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

The strategy is and always has been to build the security functionality on the Junos platform. The SRX, the high-end SRX and the branch SRX were the platforms that we shipped at, but we continue to enhance those features.

We are providing service and support and taking care of our NetStream customers that are running ScreenOS, but clearly we've been migrating those customers to SRX solutions. So SRX has been growing at the same time our ScreenOS business has been declining as we are shifting customers and making that product transition.

I think in 2012 we were roughly, I think the ScreenOS was roughly 30% or getting south of 30% of the total mix, so are we are well over half the way through that transition. The key is are we driving the right amount of differentiation and value in our new product set to capture that share?

The way I think about security is we have three different businesses in security. Number one is security that we sell to service providers in their networks. This is most prevalent in the wireless side for mobile Internet, where all that mobile Internet traffic they want have a firewall, very high-end solution to ensure that they are not propagating viruses and malware throughout their wireless network.

We have established a very high market share and a very strong set of relationships with our large service providers in that business. That continues to be a very strong business for us. It is one that has the attributes of being a bit lumpy quarter by quarter, depending on some of the big service provider spend.

And in Q1 we had announced a new upgrade to the high-end SRX line card that allows customers to get to 60 million concurrent sessions in that system, which is really what that game is about. Can you handle the scale of this volume of traffic?

So as part of announcing that some customers we know that were waiting for those line cards, those line cards are now shipping and so now we are going to go through certification. But we feel like we've got a strong footprint, a strong value proposition in the high-end service provider and that's one we have established with the SRF.

The second business in security is data centers. Data centers are basically buildings with computers and buildings with computers you have people outside trying to hack in. You need to have high-end capability to prevent people from the outside hacking in. Certainly the SRX is an element of that strategy, but we've also introduced new technology, a product called WebApp Secure and a product called Spotlight.

What WebApp Secure does is when it -- it's software that basically runs on the websites or looks at the websites that are exposed externally. If it sees somebody trying to hack in through that website, WebApp Secure goes through a process called intrusion deception where it recognizes the hacker and it works to deceive the hacker.

So if the hacker says show me the user IDs of people that can sign in here, WebApp Secure will show them user IDs; it will just show them fake user IDs. So the hacker doesn't realize are getting fake information.

While WebApp Secure is doing that, it is basically finger-printing the device of the hacker. In order to fingerprint the device, most technology today basically just goes by an IP address, but the fact is IP addresses are shared. And so sometimes you will have many, many devices behind one IP address; you don't know which one is the bad actor.

What WebApp Secure does is fingerprint the actual device. It collects a couple hundred different attributes about that device. It has other vehicles to fingerprint it and it stores it in a cloud database called Spotlight.

So we are basically building out now a cloud database of all the bad devices that are basically hacker devices trying to get into things. Spotlight can then propagate that information to all customers, all SRXs, all WebApp Secure to help provide security.

So when you are a data center, I think we've got a very strong value proposition. We've got new innovative technology. I think we've got a thought leadership agenda and I think we are on a good path there.

The third business is campus and branch. Unlike data centers, which are buildings full of computers, campus and branches are buildings full of people. And people are on their computers going outside of the firewall onto these applications and websites and oftentimes bringing in malware or viruses.

So in that scenario we have got our AppSecure solution. There's more work that we can do there, but we have got line of sight to --- we've got a very strong offering with our branch SRX. We are continuing to enhance the feature set there. We've done a lot around Security Director on how those devices are managed and there's more innovation in the pipeline.

So security is one that we are managing through this transition from the ScreenOS from the NetScreen acquisition to the SRX. We are part way through that migration, but I think now that ScreenOS is less than 30% of the total and so we still have some work to do to (technical difficulty) moving forward.

Tal Liani - *BofA Merrill Lynch - Analyst*

Lastly, from a high-level, the data center switching and EX portfolio overall. One of the issues that we see for any player in the market is the issue of ecosystems, which means IBM is an ecosystem. Cisco is an ecosystem with what they are trying to do.

How do you --- before we speak about the product and the opportunities, how do you inject yourself into an ecosystem? How do you create end-to-end solutions or team up with others to create end-to-end solutions because it's a complex [balance or so]?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

First of all, the priority on switching is data center. Certainly within data center you've got compute, you've got storage, and you've got oftentimes different stacks or different ecosystems. And so much of what we do is since we are focused on the networking element of that stack, we've got to partner. We have got to work with others.

So for example, working with VMware to ensure that our switching portfolio is --- can interoperate in a VX LAN environment and interoperate with that particular stack. Working with OpenStack and what we are doing to make sure that what we are doing across our data center solutions works in an OpenStack environment.

We've worked with IBM. IBM introduced their PureSystems technology where they have their compute and storage all preconfigured and integrated in a single box. We have our QFabric top-of-rack switch integrated into that solution, so a customer can buy a PureSystem solution from IBM that has Juniper technology integrated into it.

And so those are three examples of how we do work with the ecosystem, but there are others. For example, went through an extended period of testing QFabric with EMC in EMCs labs to ensure that their storage solutions work well in a QFabric environment.

I think that the view that we have is that there's a tremendous amount of innovation in that network layer of the stack that needs to continue to happen and to be done. And we think we are well-positioned to do that innovation. In doing that, we recognize we do have to work with many other partners in the industry and the ecosystem to ensure that these things come together in a way that can land well with customers.

Tal Liani - *BofA Merrill Lynch - Analyst*

What is the go-to-market strategy with data center switching in the sense that how do you -- do you approach directly the customers, the end customers, or do you have to go with a group of solutions to the customer? How do you land a deal in the market where at least some of your competitors are going with a complete solution; they don't go with a point solution?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

First of all, data centers -- we sell data center solutions to both service providers and enterprise customers, so both sectors that we sell to have needs for data centers. On the enterprise side, the way that we have segmented the account, we've basically focused our direct sales force on what we call our major accounts, which is a small number of accounts that have attributes like service providers. These oftentimes are very large enterprise customers and these very large enterprise customers oftentimes are looking for how do they put the best-of-breed solution together.

And so we have to be engaged with them. Certainly IBM is a key partner of ours, and we have continued to build and grow that relationship over the last five years. So in many of these cases, we might be in with a large --- calling it a large enterprise customer in partnership with IBM about a new data center that they are planning. And they are considering looking at the range of technologies.

So we have the network solutions that we can sell and the security solutions that we can sell them for those data centers. So it is focused on the set of data centers that have attributes that are going to lead to customers that are looking for best-of-breed solutions versus a smaller data center that might have a more integrated solution. If it's a smaller data center with a more integrated type of solution, the partnership with IBM and the PureSystems is a very good way to go.

Tal Liani - *BofA Merrill Lynch - Analyst*

On QFabric, you launched first a very big system; then you launched a smaller system and saw more success with it. Can you tell us a little bit about the success cases? What were the reasons that your solution was selected over competition?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

At the end of the day it has to do with the performance characteristics of a single pure fabric solution. It's just a higher performing data center.

Number two is then the operating expenses or the ease of managing it. The fact that there's a single pane of glass you can manage the entire QFabric system basically as one switch, dramatically simplifies things for customers.

So the use cases have been where that performance really has a significant impact on the customers' business. And so where a large fabric has gone in, typically in a large data center, where the performance characteristics of QFabric is really aligned with the business needs of that application.

I will give you an example. At FOX Sports in Australia, they put in a QFabric system basically that runs their entire digital video capture and collection and indexing. So all of that video traffic that is indexed real-time and broadcast basically runs on a QFabric system, so the performance characteristics of that are very important to their business.

Then certainly the introduction of the micro fabric, or the 3000M, was basically acknowledging that some customers wanted to have -- instead of having one big fabric in a data center they preferred to have multiple fabrics so that they had -- they could kind of segment different fault domains or segment applications in a different way. And so that has been an attribute for some of the newer implementations.

Tal Liani - *BofA Merrill Lynch - Analyst*

I have one more question on financials, but before that maybe any questions from the audience?

QUESTIONS AND ANSWERS

Unidentified Audience Member

Thanks for taking the question. You guys have experienced some employee attrition over time, so I was wondering how many engineers you guys employ today relative to, let's say, a year ago.

Then kind of a play on that question as well; as Tal sort of laid out, as the networking market has shown sort of below-trend growth over the last several years, if it continues to be sluggish, how will you guys think about right-sizing your business or restructuring to this new level of growth?

Kevin Johnson - *Juniper Networks, Inc. - CEO*

Thanks for the questions. First of all, the population of engineers in the Company is approximately 50% of the total headcount and that hasn't changed over the last five years. Continues to be the case. About half of the employee base are engineers and that continues to be the case.

In terms --- your second question then? Oh, how we would right-size the business. Look, we went through an exercise in Q3 of 2012 where we basically restructured the cost base of the Company and now we are seeing those costs come out. I think in the process of doing that we had three objectives that we were trying to do.

Number one is focus and so that meant we reduced some of the new R&D projects that were being spun up and focused more on the core things we needed to do, which allowed us to be more mindful of the priorities we had. Number two is sort of looking at execution. In some cases where we had multiple business units within the Company doing things that were similar, we merged them together and are getting more efficient in the R&D process, more efficient in how we build products.

Just the fact that if we can leverage more common components across the Company, it makes us more efficient in that engineering process. So, for example, the latest EX core switch that we released, the EX9200, leverages many of the same components from the MX R&D family. So by consolidating our fabric and our EX switching groups into a single organization and with Rami's leadership on the systems side, we figured out how to get more leverage on things that we've done in our silicon at our systems to bring that EX9200 to market in a more efficient way.

So focus, execution, and the third is around agility. We've reduced the number of business units in order to just be more efficient in how those teams were prioritizing how they are executing. So the net is we went through that restructuring in Q3, took a number of actions. We continue to take actions on other dimensions, and we are seeing the OpEx base come down and get more in alignment with the revenue.

That said, look, we believe that we are seeing the trend of increased CapEx expenditures, certainly with service providers in the US, and I think that's starting to propagate to other parts of the world. And that is just a function of network traffic continues to grow.

We had a --- we have a regular session with our top 15 or our top key account service provider customers. In every one of those cases they talk about the fact that their networks are running hotter. The utilization on those networks are going up and so there's a point where they need to invest to build out or modernize those networks.

And so having a great set of products and staying focused on how we are growing market share will help us continue to grow. We are going to continue to be --- we are going to take those costs out that we have committed. It's a combination of the OpEx and on the cost of goods side.

Tal Liani - *BofA Merrill Lynch - Analyst*

I apologize, we ran out of time, so maybe we can take it later. Otherwise, I know that I see already people standing up over there.

Kevin Johnson - *Juniper Networks, Inc. - CEO*

Great, thank you very much.
