JUNIPER NETWORKS INC

FORM 10-Q
(Quarterly Report)

Filed 11/09/00 for the Period Ending 09/30/00

Address	1133 INNOVATION WAY SUNNYVALE, CA 94089
Telephone	4087452000
CIK	0001043604
Symbol	JNPR
SIC Code	3576 - Computer Communications Equipment
Industry	Communications Equipment
Sector	Technology
Fiscal Year	12/31

JUNIPER NETWORKS INC

FORM 10-Q
(Quarterly Report)

Filed 11/9/2000 For Period Ending 9/30/2000

Address	1194 NORTH MATHILDA AVE
	SUNNYVALE, California 94089
Telephone	650-526-8000
CIK	0001043604
Industry	Communications Equipment
Sector	Technology
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 0-26339

JUNIPER NETWORKS, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	77-0422528 (I.R.S. Employer Identification Number)
1194 N. MATHILDA AVENUE, SUNNYVALE, CA (Address of principal executive offices)	94089 (Zip Code)

(408) 745-2000
(Registrant's telephone number including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

There were 317,558,250 shares of the Company's Common Stock, par value $.00001, outstanding on October 31, 2000.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JUNIPER NETWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	September 30, 2000	December 31, 1999
ASSETS	(Unaudited)	(1)
Current assets:		
Cash and cash equivalents	$ 571,201	$ 158,043
Short-term investments	567,731	187,915
Accounts receivable, net	116,319	23,950
Prepaid expenses and other current assets	20,775	7,925
Total current assets	1,276,026	377,833
Property and equipment, net	33,039	12,416
Long-term investments	508,630	97,201
Other long-term assets	127,730	25,928
Total assets	$ 1,945,425	$ 513,378
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 48,431	$ 15,368
Other accrued liabilities	108,105	21,025
Deferred revenue	34,770	19,270
Total current liabilities	191,306	55,663
Convertible subordinated notes and other long-term liabilities	1,161,080	--
Common stock and additional paid-in capital	540,315	513,698
Deferred stock compensation	(1,595)	(3,001)
Accumulated other comprehensive income (loss)	20,727	(815)
Retained earnings (accumulated deficit)	33,592	(52,167)
Total stockholders' equity	593,039	457,715
Total liabilities and stockholders' equity	$ 1,945,425	$ 513,378

(1) The balance sheet at December 31, 1999 has been derived from the audited consolidated financial statements at that date, but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

JUNIPER NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(unaudited)

	Three months ended September 30, 2000	Three months ended September 30, 1999	Nine months ended September 30, 2000	Nine months ended September 30, 1999
Net revenues	$ 201,201	$ 29,564	$ 378,115	$ 57,164
Cost of revenues	70,291	12,490	136,144	26,883
Gross profit	130,910	17,074	241,971	30,281
Operating expenses:				
Research and development	23,600	11,510	57,590	25,682
Sales and marketing	23,385	5,610	52,137	12,062
General and administrative	5,446	1,701	12,631	3,454
Amortization of goodwill, purchased intangibles and deferred stock compensation(1)	2,272	802	6,977	2,597
Charitable contribution	--	--	10,000	--
Total operating expenses	54,703	19,623	139,335	43,795
Operating income/(loss)	76,207	(2,549)	102,636	(13,514)
Interest income	26,253	1,511	61,418	2,453
Interest expense	(14,608)	(146)	(33,262)	(528)
Income/(loss) before income taxes	87,852	(1,184)	130,792	(11,589)
Provision for income taxes	29,781	403	45,033	525
Net income/(loss)	$ 58,071	$ (1,587)	$ 85,759	$ (12,114)
Net income/(loss) per share:				
Basic	$ 0.19	$ (0.01)	$ 0.28	$ (0.08)
Diluted	$ 0.17	$ (0.01)	$ 0.25	$ (0.08)
Shares used in computing net Income/(loss) per share:				
Basic	307,679	270,918	301,701	156,054
Diluted	349,721	270,918	347,309	156,054

(1) Deferred stock compensation relates to the following cost and expense categories by period:

Cost of revenues	$ 79	$ 126	$ 268	$ 408
Research and development	147	418	498	1,354
Sales and marketing	134	172	456	556
General and administrative	55	86	185	278
Total	$ 415	$ 802	$1,407	$2,596

See accompanying notes.

JUNIPER NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

(unaudited)

	Nine months ended September 30, 2000	Nine months ended September 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 85,759	$ (12,114)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation	7,041	3,759
Amortization of goodwill, purchased intangibles, deferred stock compensation and other non-cash transactions	9,199	3,043
Charitable contribution charge	10,000	--
Changes in operating assets and liabilities:		
Accounts receivable	(92,369)	(5,567)
Other assets	(14,767)	(3,463)
Accounts payable and other accrued liabilities	120,143	12,496
Deferred revenue	15,500	9,720
Net cash provided by operating activities	140,506	7,874
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(27,664)	(5,409)
Purchases of available-for-sale investments	(1,206,354)	(84,339)
Maturities of available-for-sale investments	418,573	--
Purchase of equity investments	(48,045)	--
Net cash used in investing activities	(863,490)	(89,748)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible subordinated notes	1,123,325	--
Payments on lease obligations	--	(7,381)
Proceeds from issuance of preferred stock	--	33,948
Proceeds from issuance of common stock	12,817	71,684
Net cash provided by financing activities	1,136,142	98,251
Net increase in cash and cash equivalents	413,158	16,377
Cash and cash equivalents at beginning of period	158,043	20,098
Cash and cash equivalents at end of period	$ 571,201	$ 36,475
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 28,375	$ 477
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Common stock issued in connection with the acquisition of goodwill and purchased intangibles	$ 3,800	$ --
Deferred stock compensation	$ --	$ 1,114

See accompanying notes

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared by Juniper Networks, Inc., pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and include the accounts of Juniper Networks, Inc. and its wholly-owned subsidiaries ("Juniper Networks" or collectively, the "Company"). Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. While in the opinion of the Company, the unaudited financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position at September 30, 2000 and the operating results and cash flows for the three and nine months ended September 30, 2000 and 1999, these financial statements and notes should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended December 31, 1999 included in the Company's Annual Report on Form 10-K filed March 29, 2000 with the SEC. The condensed balance sheet at December 31, 1999 has been derived from audited financial statements as of that date.

The results of operations for the three and nine months ended September 30, 2000 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year ending December 31, 2000.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH, CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND LONG-TERM INVESTMENTS

Cash and cash equivalents consist of cash on deposit with banks, money market instruments, commercial paper and debt securities with original maturities of 90 days or less. Short and long-term investments consist of government, corporate, and asset-backed debt securities with original maturities between three months and three years.

Management determines the appropriate classification of debt and equity securities at the time of purchase and evaluates such designation as of each balance sheet date. To date, all debt securities have been classified as available-for-sale and are carried at fair value with material unrealized gains and losses, if any, included in stockholders' equity. As of September 30, 2000, the Company had an unrealized gain on available-for-sale investments of $2.6 million compared with an unrealized loss of $815,000 as of December 31, 1999. Realized gains and losses, if any, and declines in value of securities judged to be other than temporary, if any, are included in interest income. Interest and dividends on all securities are included in interest income.

EQUITY INVESTMENTS

Equity investments in private companies in which the Company has less than 20% interest and on which it does not have the ability to exercise significant influence are carried at the lesser of cost or estimated realizable value. Investments in publicly traded equity securities are marketable securities and are designated as available-for-sale. Marketable securities are carried at fair market value with unrealized gains and losses, net of tax, included in stockholder's equity. Equity investments, including marketable securities, which are recorded in other long-term assets, were approximately $80.2 million and $8.0 million as of September 30, 2000 and December 31, 1999, respectively. As of September 30, 2000, the unrealized gain relating to Juniper Networks' marketable securities was $29.2 million (none as of December 31, 1999). The unrealized gain was attributable entirely to one of the Company's investments which recently went public. The investment is in a high technology company whose stock price is subject to substantial volatility. Accordingly, it is possible that the market price of the investment could decline substantially and quickly, which could result in a material reduction in the carrying value of these assets. If there is a permanent decline in the value of this investment, below cost, the Company would report this decline in its statement of operations.

REVENUE RECOGNITION

Juniper Networks generally recognizes product revenue at the time of shipment, assuming that collectibility is probable, unless Juniper Networks has future obligations for network interoperability or has to obtain customer acceptance, in which case revenue is deferred until these obligations are met. Revenue from service obligations is deferred and recognized on a straight-line basis over the contractual period, generally one year. Amounts billed in excess of revenue recognized are included as deferred revenue and accounts receivable in the accompanying condensed consolidated balance sheets.

CUSTOMER CONCENTRATION

In the quarter ended September 30, 2000, four customers individually accounted for more than 10% of net revenues, compared with three customers individually accounting for more than 10% in the same period a year ago.

WARRANTY RESERVES

Juniper Networks' products generally carry a one-year warranty that includes factory repair services as needed for replacement of parts. Estimated expenses for warranty obligations are accrued as revenue is recognized.

NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share and diluted net income (loss) per share are presented in conformity with the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (FAS 128), for all periods presented. In accordance with FAS 128, basic net income
(loss) per share has been computed using the weighted-average number of shares of common stock outstanding during the period, less the weighted-average number of shares of common stock that are subject to repurchase. Diluted net income per share additionally includes common stock equivalent shares outstanding during the period, if dilutive. The 4.75% Convertible Subordinated Notes, which were issued in March 2000, are anti-dilutive and therefore not included in the calculation below.

The following table presents the calculation of basic and diluted net income (loss) per share (in thousands, except per share data):

	Three months ended September 30, 2000	Three months ended September 30, 1999	Nine months ended September 30, 2000	Nine months ended September 30, 1999
	(unaudited)		(unaudited)	
Numerator:				
Net income (loss)	$ 58,071	$ (1,587)	$ 85,759	$ (12,114)
Denominator:				
Weighted-average shares of common stock outstanding	316,131	299,856	314,417	188,400
Weighted-average shares subject to repurchase	(8,452)	(28,938)	(12,716)	(32,346)
Denominator for basic net income (loss) per share	307,679	270,918	301,701	156,054
Common stock equivalents	42,042	--	45,608	--
Denominator for diluted net income (loss) per share	349,721	270,918	347,309	156,054
Net income (loss) per share:				
Basic	$ 0.19	$ (0.01)	$ 0.28	$ (0.08)
Diluted	$ 0.17	$ (0.01)	$ 0.25	$ (0.08)

NOTE. 3. COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss) are as follows, (in thousands):

	Three months ended September 30, 2000	Three months ended September 30, 1999	Nine months ended September 30, 2000	Nine months ended September 30, 1999
	(unaudited)		(unaudited)	
Net income (loss)	$ 58,071	$ (1,587)	$ 85,759	$ (12,114)
Unrealized gains on securities	3,177	--	3,464	--
Unrealized gain (loss) on equity investments	(12,224)	--	29,158	--
Total comprehensive income/(loss)	$ 49,024	$ (1,587)	$ 118,381	$ (12,114)

NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by Statement of Financial Accounting Standards No. 137 and No. 138 (referred to hereafter as "FAS 133"). FAS 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities, and is effective for fiscal years beginning after June 15, 2000. Juniper Networks does not currently hold any derivatives and does not expect this pronouncement to materially impact the results of its operations.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 summarizes certain areas of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. In June 2000, the SEC issued SAB No. 101B which defers the implementation date of SAB 101 until no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999, with earlier adoption encouraged. The Company is required to and will adopt SAB 101 in the fourth quarter of fiscal 2000. Juniper Networks believes that its current revenue recognition policy complies with SAB 101.

In March 2000, the FASB issued Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation - an interpretation of APB Opinion No. 25" (Interpretation No. 44). Interpretation No. 44 is effective July 1, 2000. The interpretation clarifies the application of APB Opinion No. 25 for certain issues, specifically, (a) the definition of an employee, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange or stock compensation awards in a business combination. The Company does not anticipate that the adoption of Interpretation No. 44 will have a material impact on its financial position or its results of operations.

This report for Juniper Networks contains forward-looking statements made within the meaning of the Securities Laws. These statements are not guarantees of future performance and are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed or forecasted. Readers should not rely on forward-looking statements, which reflect only the opinion of Juniper Networks as of the date hereof.

The following information should be read in conjunction with the Company's Annual Report on Form 10-K filed on March 29, 2000 with the Securities and Exchange Commission and "Factors That May Affect Future Results" herein.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is a leading provider of IP infrastructure solutions that enable Internet service providers and other telecommunications service providers, (collectively described as "Service Providers"), to meet the demands of rapidly evolving optically enabled IP networks. The Company's Internet backbone routers are specifically designed and purpose-built for Service Provider networks and offer customers increased reliability, performance, scalability, interoperability and flexibility, and reduced complexity and cost compared to current alternatives. The Company began volume shipments of its product in October 1998 and operates primarily through a direct sales force in North America and through value added resellers internationally.

RESULTS OF OPERATIONS

NET REVENUES

Net revenues were $201.2 million in the quarter ended September 30, 2000 compared to $29.6 million in the third quarter of fiscal 1999. Net revenues for the nine-month period ended September 30, 2000 were $378.1 million, compared with $57.2 million for the same nine-month period of fiscal 1999. The increases in net revenues for both the three-month period and the nine-month period in 2000 as compared to the comparable 1999 periods were primarily due to expanded product offerings, increased market acceptance of the Company's products, and overall growth in the Internet infrastructure marketplace. In the quarter ended September 30, 2000, four customers individually accounted for more than 10% of net revenues, compared with three customers in the same period a year ago.

COST OF REVENUES

Cost of revenues for the three months ended September 30, 2000 were $70.3 million, compared with $12.5 million for the three months ended September 30, 1999. Cost of revenues for the nine-month period ended September 30, 2000 were $136.1 million, compared with $26.9 million for the same nine-month period of fiscal 1999. The increase in cost of revenues is primarily related to the increase in net revenues, as well as headcount increases in both the Company's customer service and support, and operations organizations. The Company expects cost of revenues to continue to increase as net revenues increase. Cost of revenue, and the resulting gross margins, are highly variable and dependent on many factors, some of which are outside the Company's control, such as the demand for the Company's products and mix of products sold.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses were $23.6 million for the three-month period ended September 30, 2000, an increase of $12.1 million over the comparable period of 1999, and were $57.6 million in the nine months ended September 30, 2000, an increase of $31.9 million over the comparable period of 1999. The increases in both the three-month and nine-month periods ended September 30, 2000 as compared to the comparable fiscal 1999 periods were due primarily to significant increases in headcount to support the Company's various product development efforts. Additionally, product development expenses, such as prototype expenses and non-recurring engineering costs, increased in both periods ending September 30, 2000 as compared to the comparable 1999 periods. Research and development is essential to the Company's future success and the Company expects research and development expenses to continue to increase in absolute dollars in future periods.

SALES AND MARKETING EXPENSES

Sales and marketing expenses were $23.4 million for the three-month period ended September 30, 2000, an increase of $17.8 million over the comparable period of 1999, and were $52.1 million in the nine months ended September 30, 2000, an increase of $40.1 million over the comparable period of 1999. The increases in both fiscal 2000 periods as compared to the comparable fiscal 1999 periods were due primarily to a significant increase in headcount and commission expenses resulting from the increase in net revenues. The Company expects to continue increasing headcount in the sales and marketing organization and if net revenues increase, commission expenses will also increase. Accordingly, the Company expects sales and marketing expenses to increase in absolute dollars in the foreseeable future.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses totaled $5.4 million for the three-month period ended September 30, 2000, an increase of $3.7 million over the comparable period of 1999, and were $12.6 million in the nine months ended September 30, 2000, an increase of $9.2 million over the comparable period of 1999. The increase was due primarily to increases in headcount to support increasing levels of business activity and costs associated with being a publicly traded company. The Company expects general and administrative expense to continue to increase in absolute dollars in future periods as a result of expansion of business activity.

AMORTIZATION OF GOODWILL, PURCHASED INTANGIBLES AND DEFERRED STOCK COMPENSATION

In connection with the grant of certain stock options to employees during 1998 and the three months ended March 31, 1999, the Company recorded deferred compensation of $6.4 million in 1998 and $1.1 million in 1999 representing the difference between the deemed value of the common stock for accounting purposes and the exercise price of these options at the date of grant. Deferred compensation is presented as a reduction of stockholders' equity and is amortized over the vesting period of the applicable options using the graded vesting method. This compensation expense relates to stock options granted to individuals in all operating expense categories. In November 1999 and January 2000, the Company acquired certain intellectual property and intangible assets resulting in the recording of $18.4 million and $3.9 million of goodwill and other intangibles, respectively. The goodwill and other intangibles are being amortized over a three-year period. The Company expensed $2.3 million of goodwill, purchased intangibles and deferred compensation during the quarter ended September 30, 2000, and $802,000 of deferred compensation during the quarter ended September 30, 1999.

INTEREST INCOME

Interest income includes income on available-for-sale investments. Interest income was $26.3 million in the three months ended September 30, 2000 and $61.4 million in the nine months ended September 30, 2000. This compares with interest income of $1.5 million in the three months ended September 30, 1999 and $2.5 million in the nine months ended September 30, 1999. The significant increase in interest income in the three-month and nine-month periods ended September 30, 2000 as compared to the same fiscal 1999 periods is a direct result of increased cash and investment balances, resulting from the Company's equity and debt offerings during 1999 and 2000.

INTEREST EXPENSE

Interest expense for the three-month period and nine-month period ended September 30, 2000 was $14.6 million and $33.3 million, respectively. Interest expense in these periods consists entirely of accrued interest and amortization of debt issuance costs, both attributable to the 4.75% Convertible Subordinated Notes that were issued in March 2000. Interest expense for the three-month period and nine-month period ended September 30, 1999 was $146,000 and $528,000, respectively, and related to the Company's capital lease obligations.

PROVISION FOR INCOME TAXES

The Company has recorded tax provisions of $29.8 million and $45.0 million for the three-month and nine-month periods ended September 30, 2000 or an effective rate of 33% and 34%, respectively. The 1999 tax provision of $403,000 and $525,000 for the three and nine months ended September 30, 1999 reflect the inability to benefit from operating losses in those periods.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the Company's initial public offering, operations were financed primarily through the private placement of convertible preferred stock and capital leases. In June 1999, the Company completed the initial public offering of its common stock and realized net proceeds from that offering of approximately $65.2 million. In October 1999, the Company completed a secondary public offering of its common stock and realized net proceeds from that offering of approximately $324.3 million. In March 2000, the Company completed an offering of 4.75% Convertible Subordinated Notes and realized net proceeds of approximately $1.12 billion.

At September 30, 2000, the Company had cash and cash equivalents of $571.2 million, short-term investments of $567.7 million and long-term investments of $508.6 million. The Company regularly invests excess funds in money market funds, commercial paper and government and non-government debt securities.

Net cash provided by operating activities for the nine months ended September 30, 2000 and 1999 was $140.5 million and $7.9 million, respectively. Cash provided by operating activities for the nine months ended September 30, 2000 was primarily the result of net income, increases in accounts payable and other accrued liabilities, and adjustments for certain non-cash charges, partially offset by increases in accounts receivable and other assets. Cash provided by operating activities for the nine months ended September 30, 1999 was primarily the result of increases in accounts payable and other accrued liabilities, increases in deferred revenue, and adjustments for certain non-cash charges, partially offset by the net loss and increases in accounts receivable and other assets.

Net cash used in investing activities for the nine months ended September 30, 2000 and 1999 were $863.5 million and $89.7 million, respectively. Cash used in investing activities in the nine months ended September 30, 2000 was due to the purchase of available-for-sale investments, as well as the purchase of equity investments and fixed assets. Cash used in investing activities in the nine months ended September 30, 1999 was due to the purchase of available-for-sale investments and fixed assets.

Net cash provided by financing activities for the nine months ended September 30, 2000 and 1999 were approximately $1.1 billion and $98.3 million, respectively. Cash provided by financing activities in the nine months ended September 30, 2000 was due primarily to the proceeds from the offering of 4.75% Convertible Subordinated Notes of approximately $1.1 billion. Cash provided by financing activities in the nine months ended September 30, 1999 was due to proceeds from the issuance of common and preferred stock, partially offset by payments on lease obligations.

The Company expects to devote substantial capital resources to continue its research and development efforts, hire and expand the sales, support, marketing and product development organizations, expand marketing programs, establish additional facilities worldwide and for other general corporate activities, including strategic equity investments and possible acquisitions. Although the Company believes that current cash balances will be sufficient to fund operations for at least the next 12 months, there can be no assurance that if the Company were to need additional funding that such additional funding would be available either in the capital markets or on acceptable terms.

FACTORS THAT MAY AFFECT FUTURE RESULTS

THE COMPANY'S FAILURE TO MANAGE EXPANSION EFFECTIVELY COULD SERIOUSLY HARM ITS BUSINESS, FINANCIAL CONDITION AND PROSPECTS. The Company's ability to successfully implement its business plan, develop and offer its products and manage expansion in a rapidly evolving market requires a comprehensive and effective planning and management process. The Company continues to increase the scope of its operations domestically and internationally and has grown headcount substantially. In addition, the Company plans to continue to hire a significant number of employees in the foreseeable future. The growth in business, headcount and relationships with customers and other third parties has placed and will continue to place a significant strain on the Company's management systems and resources. The Company will need to continue to improve its operational, managerial and financial controls, reporting systems and procedures, and will need to continue to expand, train and manage its work force worldwide.

THE COMPANY'S SUCCESS DEPENDS ON ITS ABILITY TO DEVELOP PRODUCTS AND PRODUCT ENHANCEMENTS THAT WILL ACHIEVE MARKET ACCEPTANCE. The Company cannot ensure that it will be able to develop new products or product enhancements in a timely manner or at all. Any failure to develop new products or product enhancements could substantially decrease market acceptance and sales of the Company's present and future products which would significantly harm the business and financial results. Even if the Company is able to develop and commercially introduce new products and enhancements, there can be no assurance that new products or enhancements will achieve widespread market acceptance. Any failure of the Company's future products to achieve market acceptance could adversely affect the business and financial results.

THE COMPANY FACES INTENSE COMPETITION THAT COULD REDUCE ITS MARKET SHARE. Competition in the Internet infrastructure market is intense. This market has historically been dominated by Cisco with other companies such as Nortel Networks and Lucent Technologies providing products to a smaller segment of the market. In addition, a number of private companies have announced plans for new products to address the same problems which the Company's products address. If the Company is unable to compete successfully against its existing and future competitors, it could be required to reduce prices, resulting in reduced gross margins and could experience loss of market share, each of which could materially and adversely affect its business, operating results and financial condition.

THE COMPANY DEPENDS ON KEY PERSONNEL TO MANAGE ITS BUSINESS EFFECTIVELY IN A RAPIDLY CHANGING MARKET AND IF IT IS UNABLE TO HIRE ADDITIONAL PERSONNEL, ITS ABILITY TO SELL PRODUCTS COULD BE HARMED. The Company's future success depends upon the continued services of its executive officers and other key engineering, sales, marketing and support personnel. None of the officers or key employees is bound by an employment agreement for any specific term.

The Company also intends to hire a significant number of engineering, sales, marketing and support personnel in the future, and it believes its success depends, in large part, upon its ability to attract and retain these key employees. Competition for these persons is intense, especially in the San Francisco Bay area. The loss of the services of any of its key employees, the inability to attract or retain qualified personnel in the future or delays in hiring required personnel, particularly engineers and sales personnel, could delay the development and introduction of and negatively impact the Company's ability to sell its products.

THE COMPANY IS DEPENDENT ON SOLE SOURCE AND LIMITED SOURCE SUPPLIERS FOR SEVERAL KEY COMPONENTS. With the current demand for electronic products, component shortages are possible and the predictability of the availability of such components is limited. The Company currently purchases several key components, including ASICs and power supplies, from single or limited sources. The Company may not be able to develop an alternate or second source in a timely manner, which could hurt its ability to deliver product to customers. If the Company is unable to buy these components on a timely basis, it will not be able to deliver product to its customers, which would seriously impact present and future sales which would, in turn, adversely affect its business.

THE COMPANY CURRENTLY DEPENDS ON CONTRACT MANUFACTURERS WITH WHOM IT DOES NOT HAVE LONG-TERM SUPPLY CONTRACTS, AND IF THE COMPANY UNEXPECTEDLY HAS TO QUALIFY A NEW CONTRACT MANUFACTURER IT MAY LOSE REVENUE AND DAMAGE ITS CUSTOMER RELATIONSHIPS. The Company depends on third party contract manufacturers (each of whom is a third party manufacturer for numerous companies), to manufacture its products. The Company does not have a long-term supply contract with such manufacturers and if the Company should fail to effectively manage its contract manufacturer relationships or if one or more of them should experiences delays, disruptions or quality control problems in its manufacturing operations, the Company's ability to ship products to its customers could be delayed which could adversely affect the Company's business and financial results.

THE COMPANY'S FAILURE TO CONTINUE TO INCREASE ITS REVENUES MAY PREVENT THE COMPANY FROM MAINTAINING PROFITABILITY. The Company has large fixed expenses and expects to continue to incur significant and increasing sales and marketing, engineering and product development and administrative expenses and there can be no assurances that net revenues will continue to grow or that the Company will maintain profitability.

LIMITED OPERATING HISTORY MAKES FORECASTING DIFFICULT. As a result of the Company's limited operating history, it is difficult to accurately forecast revenues and there is limited meaningful historical financial data upon which to base planned operating expenses. In addition, the Company's operating expenses are largely based on anticipated revenue trends and a high percentage of its expenses are, and will continue to be, fixed in the short-term. If the Company does not achieve its expected revenues, its operating results will be below its expectations and those of investors and market analysts, which could cause the price of the common stock to decline.

In addition, timing of deployment of the Company's products can vary widely and depends on various factors. Customers with large networks usually expand their networks in large increments on a periodic basis. The Company expects to receive significant orders on an irregular basis. Because of the Company's limited operating history, it cannot predict these sales and development cycles. These long cycles, as well as the Company's expectation that customers will tend to sporadically place large orders with short lead times, may cause its revenues and operating results to vary significantly and unexpectedly from quarter to quarter.

THE COMPANY'S CUSTOMER BASE HAS INCREASED SUBSTANTIALLY, HOWEVER THERE IS STILL A LIMITED NUMBER OF CUSTOMERS WHICH COMPRISE A SIGNIFICANT PORTION OF THE COMPANY'S REVENUES AND ANY DECREASE IN REVENUE FROM THESE CUSTOMERS COULD HAVE AN ADVERSE EFFECT. The Company expects that a large portion of its net revenues will continue to depend on sales to a limited number of customers. Any downturn in the business of these customers or potential new customers could significantly decrease sales to such customers which could adversely affect the Company's net revenues and results of operations.

THE UNPREDICTABILITY OF THE COMPANY'S QUARTERLY RESULTS MAY ADVERSELY AFFECT THE TRADING PRICE OF ITS COMMON STOCK. The Company's revenues and operating results will vary significantly from quarter to quarter due to a number of factors, including many which are outside of the Company's control and any of which may cause its stock price to fluctuate.

The factors that may impact the unpredictability of the Company's quarterly results include the long sales and implementation cycle and the continuing increase in operating expenses in anticipation of increased revenues. As a result, the Company believes that quarter-to-quarter comparisons of operating results are not a good indication of future performance. It is likely that in some future quarters, operating results may be below the expectations of public market analysts and investors. In this event, the price of the Company's common stock may fall.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The primary objective of the Company's investment activities is to preserve principal while at the same time maximizing the income the Company receives from its investments without significantly increasing risk. Some of the securities that the Company has invested in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if the Company holds a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of the investment will probably decline. To minimize this risk, the Company maintains its portfolio of cash equivalents, short-term and long-term investments in a variety of securities, including commercial paper, money market funds and government and non-government debt securities. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate.

The following table presents the amounts of cash equivalents and investments that are subject to market risk and the weighted-average interest rates, by year of expected maturity for the Company's investment portfolios as of September 30, 2000 and December 31, 1999. This table does not include money market funds because those funds are not subject to market risk.

(In thousands)

	MATURING WITHIN 1 YEAR	MATURING WITHIN 2 YEARS	MATURING WITHIN 3 YEARS
As of September 30, 2000:			
Cash equivalents	$ 198,356	$ --	$ --
Weighted-average interest rate	6.42%	--	--
Investments	$ 567,731	$ 422,058	$ 86,572
Weighted-average interest rate	6.61%	6.82%	6.91%
Total	$ 766,087	$ 422,058	$ 86,572
Weighted-average interest rate	6.56%	6.82%	6.91%

	MATURING WITHIN 1 YEAR	MATURING WITHIN 2 YEARS	MATURING WITHIN 3 YEARS
As of December 31, 1999:			
Cash equivalents	$ 89,151	$ --	$ --
Weighted-average interest rate	5.68%	--	--
Investments	$ 187,915	$ 93,963	$ 3,238
Weighted-average interest rate	5.96%	6.23%	7.01%
Total	$ 277,066	$ 93,963	$ 3,238
Weighted-average interest rate	5.87%	6.23%	7.01%

EXCHANGE RATE SENSITIVITY

The Company operates primarily in the United States, and all sales, worldwide, have been made in US dollars. Accordingly, the Company has had no material exposure to foreign currency rate fluctuations.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits

Number	Exhibit Description
27.1	Financial Data Schedule (Filed Electronically)

(b) Reports on Form 8-K: None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JUNIPER NETWORKS, INC.

/s/ Marcel Gani
--
Marcel Gani
Chief Financial Officer
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

Dated: November 9, 2000

EXHIBIT INDEX

Exhibit Number	Description
27.1	Financial Data Schedule

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	SEP 30 2000
CASH	571,201
SECURITIES	1,076,361
RECEIVABLES	116,319
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	20,775
PP&E	48,253
DEPRECIATION	15,214
TOTAL ASSETS	1,945,425
CURRENT LIABILITIES	191,306
BONDS	1,150,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	3
OTHER SE	593,036
TOTAL LIABILITY AND EQUITY	1,945,425
SALES	378,115
TOTAL REVENUES	378,115
CGS	136,144
TOTAL COSTS	136,144
OTHER EXPENSES	139,335
LOSS PROVISION	0
INTEREST EXPENSE	33,262
INCOME PRETAX	130,792
INCOME TAX	45,033
INCOME CONTINUING	85,759
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	85,759
EPS BASIC	0.28
EPS DILUTED	0.25

End of Filing