JUNIPER NETWORKS INC

FORM 10-Q
(Quarterly Report)

Filed 10/29/99 for the Period Ending 09/30/99

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

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FORM 10-Q
(Quarterly Report)

Filed 10/29/1999 For Period Ending 9/30/1999

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, 1999

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)
385 RAVENDALE DRIVE, MOUNTAIN VIEW, CA (Address of principal executive offices)	94043 (Zip Code)

(650) 526-8000
(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 51,786,969 shares of the Company's Common Stock, par value $.00001, outstanding on October 19, 1999.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 1999	December 31, 1998
	(Unaudited)	(1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,475	$ 20,098
Short-term investments	48,124	--
Accounts receivable, net	13,623	8,056
Prepaid expenses and other current assets	3,471	680
Total current assets	101,693	28,834
Property and equipment, net	9,352	7,702
Long-term investments and other long-term assets	36,576	135
Total assets	$ 147,621	$ 36,671
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,375	$ 4,245
Accrued warranty liability	6,274	684
Accrued compensation and related liabilities	2,724	1,114
Other accrued liabilities	1,661	500
Deferred revenue	15,359	5,639
Current portion of obligations under capital leases	--	2,220
Total current liabilities	34,393	14,402
Long-term liabilities	48	5,204
Preferred stock, common stock and additional paid-in capital	172,097	65,351
Deferred stock compensation	(3,670)	(5,153)
Accumulated deficit	(55,247)	(43,133)
Total stockholders' equity	113,180	17,065
Total liabilities and stockholders' equity	$ 147,621	$ 36,671

(1) The balance sheet at December 31, 1998 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,		Nine months ended September 30,	
	1999	1998	1999	1998
Net revenues	$ 29,564	$ --	$ 57,164	$ --
Cost of revenues	12,490	382	26,883	601
Gross profit (loss)	17,074	(382)	30,281	(601)
Operating expenses:				
Research and development	11,510	8,284	25,682	17,842
Sales and marketing	5,610	1,215	12,062	2,498
General and administrative	1,701	562	3,454	1,341
Amortization of deferred stock compensation	802	374	2,597	587
Total operating expenses	19,623	10,435	43,795	22,268
Operating loss	(2,549)	(10,817)	(13,514)	(22,869)
Interest income, net	1,365	238	1,925	1,184
Loss before income taxes	(1,184)	(10,579)	(11,589)	(21,685)
Provision for income taxes	403	--	525	2
Net loss	$ (1,587)	$(10,579)	$(12,114)	$(21,687)
Basic and diluted net loss per share	$ (0.04)	$ (0.82)	$ (0.47)	$ (1.82)
Shares used in computing basic and diluted net loss per share	45,153	12,895	26,009	11,906
Pro forma basic and diluted net loss per share (1)	$ (0.04)	$ (0.29)	$ (0.29)	$ (0.60)
Shares used in computing pro forma basic and diluted net loss per share (1)	45,153	37,008	42,417	36,019

(1) Pro forma basic and diluted shares outstanding include convertible preferred stock using the if-converted method from the original date of issuance. The calculation excludes common stock equivalents such as options, as their effect would be anti-dilutive. For the quarter ended September 30, 1999, approximately 9.5 million common stock equivalent shares were excluded, which had they been included would have resulted in 54,661 shares outstanding, or a loss of $(0.03) per share.

See accompanying notes.

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

(unaudited)

	Nine months ended September 30,	
	1999	1998
		<C
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(12,114)	$(21,687)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	3,759	1,353
Deferred stock compensation and other non-cash transactions	3,043	628
Changes in operating assets and liabilities:		
Accounts receivable	(5,567)	(416)
Other assets	(3,463)	(267)
Accounts payable and other accrued liabilities	12,496	1,836
Deferred revenue	9,720	2,508
Net cash provided by (used in) operating activities	7,874	(16,045)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,409)	(3,885)
Purchases of available-for-sale investments	(84,339)	--
Maturities of available-for-sale investments	--	15,785
Net cash provided by (used in) investing activities	(89,748)	11,900
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital equipment leases	--	4,400
Payments on lease obligations	(7,381)	(838)
Proceeds from issuance of preferred stock	33,948	--
Proceeds from issuance of common stock	71,684	241
Net cash provided by financing activities	98,251	3,803
Net increase (decrease) in cash and cash equivalents	16,377	(342)
Cash and cash equivalents at beginning of period	20,098	30,442
Cash and cash equivalents at end of period	$ 36,475	$ 30,100
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 477	$ 349
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Deferred stock compensation	$ 1,113	$ 3,475

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 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, 1999 and the operating results and cash flows for the three and nine months ended September 30, 1999 and 1998, these financial statements and notes should be read in conjunction with the Company's audited consolidated financial statements and notes thereto, included in the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission. The condensed balance sheet at December 31, 1998 has been derived from audited financial statements as of that date.

The results of operations for the three months and nine months ended September 30, 1999 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year ending December 31, 1999.

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 and debt securities with original maturities of 90 days or less. Short- and long-term investments consist of debt securities with original maturities between three months and two 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. Unrealized gains and losses were not material for all periods presented. Realized gains and losses and declines in value of securities judged to be other than temporary are included in interest income. Interest and dividends on all securities are included in interest income.

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 installation 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. Amounts billed in excess of revenue recognized are included as deferred revenue in the accompanying condensed consolidated balance sheets.

WARRANTY RESERVES

Juniper Networks' product generally carries 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 LOSS PER SHARE

Basic net loss per share and diluted net 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 and diluted net 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 that are subject to repurchase. All convertible preferred stock, warrants for convertible preferred stock, outstanding stock options and shares subject to repurchase have been excluded from the calculation of diluted net loss per share as their inclusion would be antidilutive for all periods presented.

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

	Three months ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
	(unaudited)		(unaudited)	
Numerator:				
Net loss	$ (1,587)	$(10,579)	$(12,114)	$(21,687)
Denominator:				
Basic and diluted:				
Weighted-average shares of common stock outstanding	49,976	19,557	31,400	19,326
Less: weighted-average shares subject to repurchase	(4,823)	(6,662)	(5,391)	(7,420)
Weighted-average shares used in computing basic and diluted net loss per share	45,153	12,895	26,009	11,906
Basic and diluted net loss per share	$ (0.04)	$ (0.82)	$ (0.47)	$ (1.82)

SEGMENT INFORMATION

Effective January 1, 1998, Juniper Networks adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" (FAS 131). FAS 131 requires companies to report financial and descriptive information about reportable operating segments in annual financial statements and interim financial reports. Juniper Networks operates solely in one segment, the development and marketing of Internet infrastructure equipment, and therefore there is no impact on Juniper Networks' condensed consolidated financial statements due to the adoption of FAS 131.

NOTE 3. COMMITMENTS

Juniper Networks has outstanding purchase order commitments for materials of approximately $2.4 million at December 31, 1998 and $4.6 million at September 30, 1999. Juniper Networks expects the purchase orders to be fulfilled in 1999.

NOTE 4. SUBSEQUENT EVENTS

On October 5, 1999, the Company completed a secondary public offering in which it sold 5,750,000 shares of common stock (including an over-allotment option of 750,000 shares which was completed on October 12, 1999) at $190.00 per share, of which approximately 3,977,000 shares were sold by selling stockholders. Proceeds to the Company from this offering, net of issuance costs, were approximately $324.2 million. After the offering, the Company's authorized capital consisted of 200,000,000 shares of common stock of which approximately 51,787,000 shares were outstanding and 10,000,000 shares of preferred stock, none of which were issued or outstanding.

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 unduly 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 Registration Statement on Form S-1 declared effective by the Securities and Exchange Commission on September 29, 1999 and "Factors That May Affect Future Results" in this document.

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

OVERVIEW

The Company is a leading provider of Internet infrastructure solutions that enable Internet service providers and other telecommunications service providers to meet the demands resulting from the rapid growth of the Internet.

From the Company's inception in February 1996 through September 1998, its operating activities were primarily devoted to increasing research and development capabilities, designing ASICs, developing software, developing and testing the M40 and developing other products. The Company also staffed its administrative, marketing and sales organizations and implemented certain strategic relationships. Since inception, the Company has incurred significant losses, and as of September 30, 1999, had an accumulated deficit of $55.2 million. The Company has not achieved profitability on a quarterly or annual basis. The Company expects to incur significant sales and marketing, research and development and general and administrative expenses and, as a result, will need to generate significantly higher revenues to achieve and maintain profitability.

Revenues currently are derived from sales of one product, the M40. While the Company is developing and plans to introduce future products, there can be no assurance that it will be successful in these efforts.

RESULTS OF OPERATIONS

NET REVENUES

The quarter ended December 31, 1998, was the Company's first quarter of revenue as the Company first shipped products in volume in October 1998. Net revenues were $29.6 million for the three months ended September 30, 1999, and $57.2 million for the nine months ended September 30, 1999 (none for the corresponding periods in the preceding fiscal year). Three customers accounted for approximately 66% of the net revenues in the three months ended September 30, 1999, and two customers accounted for approximately 55% of the net revenues in the nine months ended September 30, 1999.

COST OF REVENUES

Cost of revenues were $12.5 million for the three months ended September 30, 1999, and $26.9 million for the nine months ended September 30, 1999 ($382,000 and $601,000 for the corresponding periods in the preceding fiscal year). Cost of revenues includes the cost of manufacturing overhead and the customer service and support organization.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses were $11.5 million for the three month period ended September 30, 1999, an increase of $3.2 million or 39% over the comparable quarter of 1998, and were $25.7 million in the nine months ended September 30, 1999, an increase of $7.8 million or 44% over the comparable period of 1998. The increase was due primarily to costs associated with a significant increase in headcount to support multiple projects and depreciation associated with capital spending for the increased headcount. Product development expenses such as prototype expenses and non-recurring engineering costs increased approximately 15% in the three months ended September 30, 1999 over the comparable quarter in 1998, however these expenses decreased approximately 10% in the nine months ended September 30, 1999 over the comparable period in 1998. The Company expects that these product development expenses will increase over the next several quarters. Research and development is essential to the Company's future success and the Company expects that research and development expense will increase in absolute dollars in future periods.

SALES AND MARKETING EXPENSES

Sales and marketing expenses were $5.6 million for the three month period ended September 30, 1999, an increase of $4.4 million over the comparable quarter of 1998, and were $12.1 million in the nine months ended September 30, 1999, an increase of $9.6 million over the comparable period of 1998. The increase was due primarily to increased costs associated with a significant increase in headcount over the comparable period in 1998, as well as an increase in costs associated with international expansion. The Company expects to continue its current hiring and international expansion, therefore, sales and marketing expense are expected to increase in absolute dollars in future periods.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses totaled $1.7 million for the three month period ended September 30, 1999, an increase of $1.1 million over the comparable quarter of 1998, and were $3.5 million in the nine months ended September 30, 1999, an increase of $2.1 million over the comparable period of 1998. The increase was due primarily to the costs associated with additional headcount to support increased levels of business activity, as well as 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 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 and $1.1 million, respectively, 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. The Company expensed $1.2 million of deferred compensation during the year ended December 31, 1998, and $2.6 million of deferred compensation during the nine months ended September 30, 1999. This compensation expense relates to stock options granted to individuals in all operating expense categories.

INTEREST INCOME, NET

Net interest income includes income on cash investments partially offset by expenses related to financing obligations. Net interest income was $1.4 million in the three months ended September 30, 1999 and $1.9 million in the nine months ended September 30, 1999. This compares with net interest income of $238,000 in the three months ended September 30, 1998 and $1.2 million in the nine months ended September 30, 1998. The increases in net interest income are a direct result of increased cash and investment balances, as well as the early extinguishment of the capital leases.

PROVISION FOR INCOME TAXES

The Company has recorded a tax provision of $525,000 for the nine month period ending September 30, 1999. The provision for income taxes consists primarily of foreign and state taxes.

Utilization of net operating loss and credit carryforwards may be subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of the net operating loss and credit carryforwards before utilization.

LIQUIDITY AND CAPITAL RESOURCES

Prior to its initial public offering, the Company financed operations primarily through the private placement of convertible preferred stock and capital leases. On June 24, 1999, the Company's registration statement for its initial public offering of common stock was declared effective. The Company sold 5,520,000 shares of common stock (including exercise of an over-allotment option) at a price of $34.00 per share, of which approximately 3,422,000 shares were sold by selling stockholders and closed the offering on June 30, 1999. Proceeds to the Company from the initial public offering, net of issuance costs, were approximately $65.2 million. On October 5, 1999, the Company completed a secondary public offering in which it sold 5,750,000 shares of common stock (including exercise of an over-allotment option on October 12, 1999) at a price of $190.00 per share, of which approximately 3,977,000 shares were sold by selling stockholders. Proceeds to the Company from this offering, net of issuance costs, were approximately $324.2 million.

At September 30, 1999, the Company had cash and cash equivalents of $36.5 million, short-term investments of $48.1 million and long-term investments of $36.2 million. The Company regularly invests excess funds in short-term 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, 1999 was $7.9 million and net cash used in operating activities for the nine months ended September 30, 1998 was $16.0 million. Cash provided by operating activities in the 1999 period was primarily the result of increases in accounts payable and other accrued liabilities, deferred revenue, and non-cash charges, partially offset by the net loss and increases in accounts receivable and other assets. Cash used in operating activities in the 1998 period was primarily the result of net losses and an increase in accounts receivable, partially offset by the increases in deferred revenues and accrued liabilities, as well as, non-cash charges.

Net cash used in investing activities for the nine months ended September 30, 1999 was $89.7 million, and net cash provided by investing activities in the nine months ended September 30, 1998 was $11.9 million. Cash used in investing activities in the nine months ended September 30, 1999 was due to the purchase of fixed assets and purchase of available-for-sale investments. Cash provided by investing activities in the nine months ended September 30, 1998 was due to maturities of available-for-sale investments, partially offset by the purchase of fixed assets.

Net cash provided by financing activities for the nine months ended September 30, 1999 and 1998 was $98.3 million and $3.8 million, respectively. Cash provided by financing activities in the nine months ended September 30, 1999 was due to proceeds from the issuance of preferred stock and common stock, including proceeds of $65.2 million from the initial public offering, partially offset by payments on lease obligations. Cash provided by financing activities in the nine months ended September 30, 1998 was primarily due to proceeds from capital equipment leases, partially offset by payments on lease obligations.

The Company expects to devote substantial capital resources to continue its research and development efforts, to hire and expand the sales, support, marketing and product development organizations, to expand marketing programs, to establish additional facilities worldwide and for other general corporate activities. 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 the Company will not require additional financing within this time frame or that such additional funding, if needed, will be available on acceptable terms.

YEAR 2000 COMPLIANCE

The Company has designed its products for use in the year 2000 and beyond and believe they are year 2000 compliant. However, its products are generally integrated into larger networks involving sophisticated hardware and software products supplied by other vendors. Each of the Company's customers' networks involves different combinations of third party products. The Company cannot evaluate whether all of their products are year 2000 compliant. The Company may face claims based on year 2000 problems in other companies' products or based on issues arising from the integration of multiple products within the overall network. Although no such claims have been made, the Company may in the future be required to defend its products in legal proceedings which could be expensive regardless of the merits of such claims.

The Company has received assurances that all material systems from its third-party vendors are year 2000 compliant. The Company has completed testing all of its material internal systems and the Company is not currently aware of any year 2000 problem relating to any of its material internal systems. The Company does not believe that it has any significant systems that contain embedded chips that are not year 2000 compliant. Based on its assessment to date, the Company anticipates that costs associated with testing and remediating internal systems will be approximately $200,000.

The Company's customers' purchasing plans could be affected by year 2000 issues if they need to expend significant resources to fix their existing systems to become year 2000 compliant. This situation may reduce funds available to purchase the Company's products. In addition, some customers may wait to purchase products until after the year 2000, which may reduce the Company's revenue.

FACTORS THAT MAY AFFECT FUTURE RESULTS

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. The revenue and income potential of its products and business are unproven and the market that it is addressing is rapidly evolving. If the Company does not achieve its expected revenues, its operating results will be below its expectations and the expectations 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 purchase orders for significant dollar amounts 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 M40 CURRENTLY IS THE COMPANY'S ONLY PRODUCT AND A SIGNIFICANT PORTION OF FUTURE REVENUE DEPENDS ON ITS COMMERCIAL SUCCESS. The Company's future growth and a significant portion of the Company's future revenue depends on the commercial success of the M40 Internet backbone router, which is the only product that the Company currently offers. Failure of the M40 to operate as expected could delay or prevent its adoption. If the Company's target customers do not widely adopt, purchase and successfully deploy the M40, revenues will not grow significantly and the Company's business, financial condition and results of operations will be seriously harmed.

THE COMPANY'S SUCCESS DEPENDS ON ITS ABILITY TO DEVELOP PRODUCTS AND PRODUCT ENHANCEMENTS THAT WILL ACHIEVE MARKET ACCEPTANCE. The Company cannot be sure 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 will substantially decrease market acceptance and sales of present and future products which will significantly harm the Company's business and financial results. Even if the Company is able to develop and commercially introduce new products and enhancements, it cannot be sure that the new products or enhancements will achieve widespread market acceptance. Any failure of its future products to achieve market acceptance could harm its business and financial results.

The Internet infrastructure market is characterized by rapid technological change, frequent new product introductions, changes in customer requirements and evolving industry standards. In developing products, the Company has made, and will continue to make, assumptions with respect to which standards will be adopted by its customers and competitors. If the standards adopted are different from those which it has chosen to support, market acceptance of its products may be significantly reduced or delayed and its business will be seriously harmed. In addition, the introduction of products embodying new technologies and the emergence of new industry standards could render the Company's existing products obsolete.

THE COMPANY HAS A LIMITED NUMBER OF CUSTOMERS AND ANY DECREASE IN REVENUE FROM THESE CUSTOMERS COULD HAVE AN ADVERSE EFFECT. The Company expects that the majority of its revenues will continue to depend on sales to a small number of customers. Any downturn in the business of these customers or potential new customers could significantly decrease sales to these customers which could seriously harm the Company's revenues and results of operations.

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 current and future competitors, it could experience price reductions, reduced gross margins and loss of market share, any one of which could materially and adversely affect its business, operating results and financial condition.

THE COMPANY IS DEPENDENT ON SOLE SOURCE AND LIMITED SOURCE SUPPLIERS FOR SEVERAL KEY COMPONENTS. The Company currently purchases several key components, including ASICs and power supplies, from single or limited sources. IBM is currently the Company's sole source supplier of these ASICs. These ASICs are very complex, and 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. The Company also purchases power supplies from a single source and certain other custom components from other sole or limited sources. 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 and revenue which would, in turn, seriously harm its business.

THE COMPANY CURRENTLY DEPENDS ON ONE CONTRACT MANUFACTURER, AND IF IT HAD TO QUALIFY A NEW CONTRACT MANUFACTURER IT COULD LOSE REVENUE AND DAMAGE CUSTOMER RELATIONSHIPS. Solectron, a third party manufacturer for numerous companies, manufactures the M40 at its Milpitas, California facility on a purchase order basis and is the Company's sole manufacturer. The Company currently does not have a long-term supply contract with Solectron.

Qualifying a new contract manufacturer and commencing volume production is expensive and time consuming. If the Company is required or choose to change contract manufacturers, it could lose revenue and damage its customer relationships.

The Company plans to regularly introduce new products and product enhancements, which will require that it coordinate its efforts with those of its suppliers and Solectron to rapidly achieve volume production. If the Company should fail to effectively manage its relationship with Solectron, or if Solectron experiences delays, disruptions or quality control problems in its manufacturing operations, the Company's ability to ship products to customers could be delayed.

THE UNPREDICTABILITY AND SEASONALITY 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, many of which are outside of its control and any of which may cause its stock price to fluctuate.

In addition, the Company is dependent on decisions by customers to build their Internet infrastructure, which decisions are in turn dependent upon the success and expected demand for the services offered by those customers. Furthermore, the long sales and implementation cycles for the product, as well as the degree to which customers will sporadically place large orders with short lead times, may cause revenues and operating results to vary significantly from quarter to quarter.

The Company plans to increase significantly its operating expenses to fund greater levels of research and development, expand its sales and marketing operations, broaden its customer support capabilities and develop new distribution channels. It also plans to expand its general and administrative functions to address the increased reporting and other administrative demands, which will result from being a publicly traded company and the increasing size of its business. 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. As a result, a delay in generating or recognizing revenue for the reasons set forth above, or for any other reason, could cause significant variations in its operating results from quarter to quarter and could result in substantial operating losses.

Due to the foregoing factors, 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.

IF THE COMPANY'S PRODUCTS DO NOT INTEROPERATE WITH ITS CUSTOMERS' NETWORKS, INSTALLATIONS WILL BE DELAYED OR CANCELLED AND COULD RESULT IN SUBSTANTIAL PRODUCT RETURNS WHICH COULD DISRUPT ITS BUSINESS AND HARM ITS FINANCIAL CONDITION. The Company's products are designed to interface with customers' existing networks, each of which has different specifications and utilizes multiple protocol standards. Many of the Company's customers' networks contain multiple generations of products that have been added over time as these networks have grown and evolved. The Company's products must interoperate with all of the products within these networks as well as future products in order to meet customers' requirements. If the Company finds errors in the existing software used in customers' networks, it must modify its JUNOS Internet Software to fix or overcome these errors so that its products will interoperate and scale with the existing software and hardware. If its products do not interoperate with those of customers' networks, installations could be delayed, orders for its products could be cancelled or products could be returned. This would also seriously harm the Company's reputation, which could seriously harm its business and prospects.

Service providers typically use the Company's products in conjunction with products from other vendors. As a result, when problems occur, it may be difficult to identify the source of the problem. These problems may cause the Company to incur significant warranty and repair costs, divert the attention of its engineering personnel from product development efforts and cause significant customer relations problems.

In addition, although the Company has thoroughly tested the M40, because of the nature of the product, it can only be fully tested when deployed in very large networks with high amounts of traffic. To date, customers have only deployed the M40 on a limited basis. Consequently, the Company's customers may discover errors or defects in the hardware or the software after it has been fully deployed.

IF THE COMPANY FAILS TO MANAGE EXPANSION EFFECTIVELY, ITS BUSINESS, FINANCIAL CONDITION AND PROSPECTS COULD BE SERIOUSLY HARMED. The Company's ability to successfully offer its products and implement its business plan in a rapidly evolving market requires an effective planning and management process. The Company continues to increase the scope of its operations domestically and internationally and have grown headcount substantially. In addition, the Company plans to continue to hire a significant number of employees this year. This growth has placed, and the Company's anticipated growth in future operations will continue to place, a significant strain on its management systems and resources. The Company expects that it will need to continue to improve its financial and managerial controls, reporting systems and procedures, and will need to continue to expand, train and manage its work force worldwide. Furthermore, the Company expects that it will be required to manage multiple relationships with various customers and other third parties.

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.

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 it 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 investments and long-term investments in a variety of securities, including money market funds, commercial paper 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. In addition, the Company invests in relatively short-term securities.

The following table presents the amounts of cash equivalents and investments that are subject to market risk by range of expected maturity and weighted average interest rates as of September 30, 1999 and December 31, 1998. This table does not include money market funds because those funds are not subject to market risk.

AT SEPTEMBER 30, 1999	MATURING IN THREE MONTHS OR LESS	MATURING BETWEEN THREE MONTHS AND ONE YEAR	MATURING BETWEEN ONE YEAR AND TWO YEARS	TOTAL
				<C
Included in cash and cash equivalents..........	$16,889			$16,889
Weighted average interest rate.................	5.49%			5.49%
Included in short-term investments		$48,124		$48,124
Weighted average interest rate.................		5.67%		5.67%
Included in long-term investments			$33,215	$33,215
Weighted average interest rate.................			6.14%	6.14%
Total portfolio				$98,228
Weighted average interest rate.................				5.80%

AT DECEMBER 31, 1998	MATURING IN THREE MONTHS OR LESS	MATURING BETWEEN THREE MONTHS AND ONE YEAR	MATURING BETWEEN ONE YEAR AND TWO YEARS	TOTAL
				<C
Cash equivalents.............................	$16,520			$16,520
Weighted average interest rate.............	5.33%			5.33%

EXCHANGE RATE SENSITIVITY

The Company operates primarily in the United States, and all sales to date have been made in US dollars. Accordingly, there has not been any material exposure to foreign currency rate fluctuations.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The Company commenced its initial public offering ("IPO") on June 24, 1999 pursuant to a Registration Statement on Form S-1 (File No. 333-76681). In the IPO, the Company sold an aggregate of 5,520,000 shares of common stock (including an over-allotment option of 720,000 shares) at $34.00 per share, of which approximately 3,422,000 shares were sold by selling stockholders.

The sale of the shares of common stock generated aggregate gross proceeds of approximately $71.3 million for the Company and approximately $116.4 million for the selling stockholders. The aggregate net proceeds were approximately $65.2 million, after deducting underwriting discounts and commissions of approximately $5.0 million and expenses of the offering of approximately $1.1 million. Of the net proceeds, the Company has used approximately $23.4 million for general corporate purposes, including working capital and capital expenditures. Additionally, a portion of the net proceeds were used to repay capital lease obligations of $3.7 million. The remaining $38.1 million of the net proceeds are expected to be used for general corporate purposes, including working capital and capital expenditures. The amounts actually expended for such purposes may vary significantly and will depend on a number of factors, including the Company's future revenues and cash generated by operations and the other factors described under "Factors That May Affect Future Results". Accordingly, the Company retains broad discretion in the allocation of the net proceeds of the offering. A portion of the net proceeds may also be used to acquire or invest in complementary businesses, technologies or product offerings, however, there are no current material agreements or commitments with respect to any such activities.

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

Dated: October 29, 1999

EXHIBIT INDEX

Number	Exhibit Description
27.1	Financial Data Schedule (Filed Electronically)

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	SEP 30 1999
CASH	36,475
SECURITIES	84,339
RECEIVABLES	13,623
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	101,693
PP&E	15,978
DEPRECIATION	6,626
TOTAL ASSETS	147,621
CURRENT LIABILITIES	34,393
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	0
OTHER SE	113,180
TOTAL LIABILITY AND EQUITY	147,621
SALES	57,164
TOTAL REVENUES	57,164
CGS	26,883
TOTAL COSTS	26,883
OTHER EXPENSES	43,795
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	(11,589)
INCOME TAX	525
INCOME CONTINUING	(12,114)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(12,114)
EPS BASIC	(0.47)
EPS DILUTED	(0.47)

End of Filing