JUNIPER NETWORKS INC

FORM 8-K
(Current report filing)

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) April 23, 2015

Juniper Networks, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	**001-34501** (Commission File Number)	**770422528** (I.R.S. Employer Identification No.)

1133 Innovation Way,
Sunnyvale, California
(Address of principal executive offices)

94089
(Zip Code)

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

Not Applicable
Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On April 23, 2015, Juniper Networks, Inc. (“we”, “us”, “our” or “the Company”) issued a press release in which we announced preliminary financial results for the quarter ended March 31, 2015. The Company also posted on the Investor Relations section of its website (www.juniper.net) prepared remarks with respect to the quarter ended March 31, 2015. Copies of the press release and prepared remarks by the Company are furnished as Exhibits 99.1 and 99.2, respectively, to this report. Information on our website is not, and will not be deemed, a part of this report or incorporated into any other filings the Company makes with the Securities and Exchange Commission.

The information furnished pursuant to this Item 2.02, including Exhibits 99.1 and 99.2, shall not be deemed as “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press release issued by Juniper Networks, Inc. on April 23, 2015
99.2	Prepared remarks by Juniper Networks, Inc. dated as of April 23, 2015

SIGNATURES

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 hereunto duly authorized.

Juniper Networks, Inc.

April 23, 2015

By: /s/ Mitchell L. Gaynor
Name: Mitchell L. Gaynor
Title: Executive Vice President and General Counsel

Exhibit Index

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99.2	Prepared remarks by Juniper Networks, Inc. dated as of April 23, 2015

Exhibit 99.1

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JUNIPER NETWORKS REPORTS PRELIMINARY FIRST QUARTER 2015 FINANCIAL RESULTS

Company delivers strong year-on-year operating margin expansion, poised for revenue growth

SUNNYVALE, Calif., April 23, 2015 – Juniper Networks (NYSE: JNPR), the industry leader in network innovation, today reported preliminary financial results for the three months ended March 31, 2015 and provided its outlook for the three months ending June 30, 2015.

Net revenues for the first quarter of 2015 decreased 9% year-over-year and decreased 3% sequentially to $1,067 million (normalized for Junos Pulse sale: decrease of 6% year-over-year).

Juniper's operating margin for the first quarter of 2015 increased to 12.3% on a GAAP basis, from (63.7%) in the fourth quarter of 2014, and increased from (0.5%) in the first quarter of 2014. Excluding the non-cash goodwill impairment charge related to its security reporting unit, the GAAP operating margin for the fourth quarter of 2014 would have been 13.5%. Non-GAAP operating margin for the first quarter of 2015 decreased to 18.5% from 21.9% in the fourth quarter of 2014, and increased from 17.2% in the first quarter of 2014.

Juniper posted GAAP net income of $80.2 million, or $0.19 per diluted share for the first quarter of 2015. Non-GAAP net income was $131.6 million, or $0.32 per diluted share for the first quarter of 2015. Non-GAAP net income per diluted share decreased 22% compared to the fourth quarter of 2014, and increased 10% compared to the first quarter of 2014.

The reconciliation between GAAP and non-GAAP results of operations is provided in a table immediately following the Preliminary Net Revenues by Market table below.

"We are off to a good start to 2015, delivering solid results for the first quarter and making significant progress against our key initiatives for the year," said Rami Rahim, chief executive officer of Juniper Networks. "Our sharpened focus resulted in improved execution and momentum across our key customer verticals. Over the past few months, we announced enhancements to our portfolio with a new lineup of breakthrough-performance networking and security products and garnered several new design wins, with more anticipated in the pipeline. We are focused on profitable growth and driving forward our innovation engine, and believe we are well positioned in achieving our goal of realizing Juniper's full potential."

"During the quarter, we delivered good year-over-year non-GAAP operating margin and earnings per share expansion, through continued management of our cost structure," said Robyn Denholm, chief financial and operations officer. "We also continue to benefit from our focus on customer diversification and we see broader healthy demand trends beginning to emerge. Meanwhile, we continue to deliver on our capital return commitments, driving additional shareholder value."

Other Financial Highlights

Total cash, cash equivalents, and investments as of March 31, 2015 were $3,451 million, compared to $3,105 million as of December 31, 2014, and $3,479 million as of March 31, 2014.

Juniper's net cash flow provided by operations for the first quarter of 2015 was $219 million, compared to net cash provided by operations of $285 million in the fourth quarter of 2014, and $125 million in the first quarter of 2014.

Days sales outstanding in accounts receivable or "DSO" was 43 days in the first quarter of 2015, compared to 49 days in the prior quarter, and 46 days in the first quarter of 2014.

Capital expenditures were $44 million and depreciation and amortization of intangible assets expense was $46 million during the first quarter of 2015.

Juniper's Board of Directors has declared a quarterly cash dividend of $0.10 per share to be paid on June 23, 2015 to shareholders of record as of the close of business on June 2, 2015.

During the first quarter of 2015, the Company repurchased $400 million of common stock against its commitment to repurchase $1.0 billion of shares from January through June 2015. Additionally, the Company completed a $600 million bond offering in February 2015 that will enable it to execute against its commitment to return a total of $4.1 billion through 2016.

Outlook

The Company continues to see the long-term demand drivers as healthy and is confident in its innovation pipeline. Juniper expects to return to its historical pattern of higher revenue in the second half of 2015 versus the first half of the year.

Juniper Networks estimates that for the quarter ending June 30, 2015:

- Revenues will be in the range of $1,090 million to $1,120 million.
- Non-GAAP gross margin will be approximately 64%, plus or minus 0.5%.
- Non-GAAP operating expenses will be $475 million, plus or minus $5 million.
- Non-GAAP operating margin will be roughly 21% at the midpoint of revenue guidance.
- Non-GAAP net income per share will range between $0.38 and $0.42 on a diluted basis. This assumes a share count of 395 million and a non-GAAP tax rate flat from the first quarter, assuming no renewal of the R&D tax credit for 2015.

All forward-looking non-GAAP measures exclude estimates for amortization of intangible assets, share-based compensation expenses, acquisition-related charges, restructuring and other charges, impairment charges, professional services related to non-routine stockholder matters, litigation settlement and resolution charges, gain on the sale of Junos Pulse, professional fees and other income and expenses associated with the sale of Junos Pulse, gain or loss on equity investments, retroactive impact of certain tax settlements, non-recurring income tax adjustments, valuation allowance on deferred tax assets, and income tax effect of non-GAAP exclusions. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis.

First Quarter Financial Commentary Available Online

A commentary by Robyn Denholm, chief financial and operations officer, reviewing the Company's first quarter 2015 financial results and second quarter 2015 financial outlook will be furnished to the SEC on Form 8-K and published on the Company's website at http://investor.juniper.net/investor-relations/default.aspx . Analysts and investors are encouraged to review this commentary prior to participating in the conference call webcast.

Conference Call Webcast

Juniper Networks will host a conference call webcast today, April 23, 2015, at 2:00 pm PT, to be broadcast live over the Internet at http://investor.juniper.net/investor-relations/default.aspx . To participate via telephone in the US, the toll free dial-in number is 1-877-407-8033. Outside the US, dial +1-201-689-8033. Please call 10 minutes prior to the scheduled conference call time. The webcast replay will be archived on the Juniper Networks website.

About Juniper Networks

Juniper Networks (NYSE: JNPR) delivers innovation across routing, switching and security. From the network core down to consumer devices, Juniper Networks' innovations in software, silicon and systems transform the experience and economics of networking. Additional information can be found at Juniper Networks (www.juniper.net) or connect with Juniper on Twitter and Facebook .

Investors and others should note that the Company announces material financial and operational information to its investors using its Investor Relations website, press releases, SEC filings and public conference calls and webcasts. The Company also intends to use the Twitter accounts @JuniperNetworks and @Juniper_IR and the Company's blogs as a means of disclosing information about the Company and for complying with its disclosure obligations under Regulation FD. The social media channels that the Company intends to use as a means of disclosing information described above may be updated from time to time as listed on the Company's Investor Relations website.

Safe Harbor

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

Juniper Networks believes that the presentation of non-GAAP financial information provides important supplemental information to management and investors regarding financial and business trends relating to the company's financial condition and results of operations. For further information regarding why Juniper Networks believes that these non-GAAP measures provide useful information to investors, the specific manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to the discussion below. The following tables and reconciliations can also be found on our Investor Relations website at http://investor.juniper.net/investor-relations/default.aspx .

Juniper Networks, Inc.
Preliminary Condensed Consolidated Statements of Operations
(in millions, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
Net revenues:		
Product	$ 764.1	$ 876.0
Service	303.3	294.1
Total net revenues	1,067.4	1,170.1
Cost of revenues:		
Product	283.2	326.6
Service	121.3	123.4
Total cost of revenues	404.5	450.0
Gross margin	662.9	720.1
Operating expenses:		
Research and development	248.7	264.0
Sales and marketing	225.8	273.4
General and administrative	55.2	74.9
Restructuring and other charges	1.4	114.0
Total operating expenses	531.1	726.3
Operating income (loss)	131.8	(6.2)
Other (expense) income, net	(15.8)	154.2
Income before income taxes	116.0	148.0
Income tax provision	35.8	37.4
Net income	$ 80.2	$ 110.6
Net income per share:		
Basic	$ 0.20	$ 0.23
Diluted	$ 0.19	$ 0.22
Shares used in computing net income per share:		
Basic	407.1	486.2
Diluted	414.2	496.5
Cash dividends declared per common stock	$ 0.10	$ —

Juniper Networks, Inc.
Preliminary Net Revenues by Product and Service
(in millions)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
Routing	$ 504.8	$ 549.8
Switching	166.5	192.0
Security	92.8	134.2
Total product	764.1	876.0
Total service	303.3	294.1
Total	$ 1,067.4	$ 1,170.1

Juniper Networks, Inc.
Preliminary Net Revenues by Geographic Region
(in millions)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
Americas	$ 589.0	$ 681.5
Europe, Middle East, and Africa	303.8	295.7
Asia Pacific	174.6	192.9
Total	$ 1,067.4	$ 1,170.1

Juniper Networks, Inc.
Preliminary Net Revenues by Market
(in millions)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
Service Provider	$ 717.0	$ 782.7
Enterprise	350.4	387.4
Total	$ 1,067.4	$ 1,170.1

Juniper Networks, Inc.
Reconciliation between GAAP and non-GAAP Financial Measures
(in millions, except percentages and per share amounts)
(unaudited)

		Three Months Ended		
		March 31, 2015	December 31, 2014	March 31, 2014
GAAP operating income (loss)		$ 131.8	$ (701.8)	$ (6.2)
GAAP operating margin		12.3%	(63.7)%	(0.5)%
Share-based compensation expense	C	46.0	54.6	60.8
Share-based payroll tax expense	C	2.9	1.1	7.0
Amortization of purchased intangible assets	A	11.9	8.5	9.5
Restructuring and other charges	B	1.4	29.2	122.4
Impairment of goodwill	B	—	850.0	—
Acquisition-related charges	A	—	—	0.6
Professional services related to non-routine stockholder matters	B	3.0	—	7.3
Non-GAAP operating income		$ 197.0	$ 241.6	$ 201.4
Non-GAAP operating margin		18.5%	21.9%	17.2%
GAAP net income (loss)		$ 80.2	$ (769.6)	$ 110.6
Share-based compensation expense	C	46.0	54.6	60.8
Share-based payroll tax expense	C	2.9	1.1	7.0
Amortization of purchased intangible assets	A	11.9	8.5	9.5
Restructuring and other charges	B	1.4	29.2	122.4
Impairment of goodwill	B	—	850.0	—
Acquisition-related charges	A	—	—	0.6
Professional services related to non-routine stockholder matters	B	3.0	—	7.3
Gain on equity investments	B	—	(0.6)	(164.0)
Gain on sale of Junos Pulse	B	—	(19.6)	—
Other	B	(1.1)	(2.0)	—
Income tax effect of non-GAAP exclusions	B	(12.7)	27.7	(11.6)
Non-GAAP net income		$ 131.6	$ 179.3	$ 142.6
GAAP diluted net income (loss) per share		$ 0.19	$ (1.81)	$ 0.22
Non-GAAP diluted net income per share	D	$ 0.32	$ 0.41	$ 0.29
Shares used in computing GAAP diluted net income (loss) per share		414.2	426.1	496.5
Shares used in computing Non-GAAP diluted net income per share		414.2	432.4	496.5

Discussion of Non-GAAP Financial Measures

This press release, including the tables above, includes the following non-GAAP financial measures derived from our Preliminary Condensed Consolidated Statements of Operations: operating income; operating margin; net income; and net income per share. These measures are not presented in accordance with, nor are they a substitute for U.S. generally accepted accounting principles or GAAP. In addition, these measures may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes. The non-GAAP financial measures used in the table above should not be considered in isolation from measures of financial performance prepared in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future.

We utilize a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of our business, in making operating decisions, forecasting and planning for future periods, and determining payments under compensation programs. We consider the use of the non-GAAP measures presented above to be helpful in assessing the performance of the continuing operation of our business. By continuing operations we mean the ongoing revenue and expenses of the business excluding certain items that render comparisons with prior periods or analysis of on-going operating trends more difficult, such as expenses not directly related to the actual cash costs of development, sale, delivery or support of our products and services, or expenses that are reflected in periods unrelated to when the actual amounts were incurred or paid. Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides such readers with useful supplemental data that, while not a substitute for financial measures prepared in accordance with GAAP, allows for greater transparency in the review of our financial and operational performance. In addition, we have historically reported non-GAAP results to the investment community and believe that continuing to provide non-GAAP measures provides investors with a tool for comparing results over time. In assessing the overall health of our business for the periods covered by the table above and, in particular, in evaluating the financial line items presented in the table above, we have excluded items in the following three general categories, each of which are described below: Acquisition-Related Charges, Other Items, and Share-Based Compensation Related Items. We also provide additional detail below regarding the shares used to calculate our non-GAAP net income per share. Notes identified for line items in the table above correspond to the appropriate note description below. Additionally, with respect to future financial guidance provided on a non-GAAP basis, we have excluded estimates for amortization of intangible assets, share-based compensation expenses, acquisition-related charges, restructuring and other charges, impairment charges, professional services related to non-routine stockholder matters, litigation settlement and resolution charges, gain on the sale of Junos Pulse, gain or loss on equity investments, retroactive impact of certain tax settlements, non-recurring income tax adjustments, valuation allowance on deferred tax assets, and income tax effect of non-GAAP exclusions.

Note A: Acquisition-Related Charges . We exclude certain expense items resulting from acquisitions including the following, when applicable: (i) amortization of purchased intangible assets associated with our acquisitions; and (ii) acquisition-related charges. The amortization of purchased intangible assets associated with our acquisitions results in our recording expenses in our GAAP financial statements that were already expensed by the acquired company before the acquisition and for which we have not expended cash. Moreover, had we internally developed the products acquired, the amortization of intangible assets, and the expenses of uncompleted research and development would have been expensed in prior periods. Accordingly, we analyze the performance of our operations in each period without regard to such expenses. In addition, acquisitions result in non-continuing operating expenses, which would not otherwise have been incurred by us in the normal course of our business operations. We believe that providing non-GAAP information for acquisition-related expense items in addition to the corresponding GAAP information allows the users of our financial statements to better review and understand the historic and current results of our continuing operations, and also facilitates comparisons to less acquisitive peer companies.

Note B: Other Items . We exclude certain other items that are the result of either unique or unplanned events including the following, when applicable: (i) restructuring and other charges; (ii) impairment charges; (iii) gain on the sale of Junos Pulse, professional fees and other income and expenses associated with the sale of Junos Pulse; (iv) gain or loss on equity investments; (v) retroactive impacts of certain tax settlements; (vi) non-recurring income tax adjustments; (vii) valuation allowance on deferred tax assets (viii) the income tax effect on our financial statements of excluding items related to our non-GAAP financial measures; and (ix) professional services related to non-routine stockholder matters. It is difficult to estimate the amount or timing of these items in advance. Restructuring and impairment charges result from events, which arise from unforeseen circumstances, which often occur outside of the ordinary course of continuing operations. Although these events are reflected in our GAAP financials, these unique transactions may limit the comparability of our on-going operations with prior and future periods. The significant effects of retroactive tax legislation are unique events that occur in periods that are generally unrelated to the level of business activity to which such settlement or legislation applies. We believe this limits comparability with prior periods and that these expenses do not accurately reflect the underlying performance of our continuing business operations for the period in which they are incurred. Whether we realize gains or losses on equity investments is based primarily on the performance and market value of those independent companies. Accordingly, we believe that these gains and losses do not reflect the underlying performance of our continuing operations. We also believe providing financial information with and without the income tax effect of excluding items related to our non-GAAP financial measures provide our management and users of the financial statements with better clarity regarding the on-going performance and future liquidity of our business. Because of these factors, we assess our operating performance both with these amounts included and excluded, and by providing this information, we believe the users of our financial statements are better able to understand the financial results of what we consider our continuing operations.

Note C: Share-Based Compensation Related Items . We provide non-GAAP information relative to our expense for share-based compensation and related payroll tax. We began to include share-based compensation expense in our GAAP financial measures in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, Compensation - Stock Compensation ("FASB ASC Topic 718"), in January 2006. Because of varying available valuation methodologies, subjective assumptions and the variety of award types, which affect the calculations of share-based compensation, we believe that the exclusion of share-based

compensation allows for more accurate comparisons of our operating results to our peer companies. Further, we believe that excluding share-based compensation expense allows for a more accurate comparison of our financial results to previous periods during which our equity-based awards were not required to be reflected in our income statement. Share-based compensation is very different from other forms of compensation. A cash salary or bonus has a fixed and unvarying cash cost. For example, the expense associated with a $10,000 bonus is equal to exactly $10,000 in cash regardless of when it is awarded and who it is awarded by. In contrast, the expense associated with an award of an option for 1,000 shares of share is unrelated to the amount of compensation ultimately received by the employee; and the cost to the company is based on a share-based compensation valuation methodology and underlying assumptions that may vary over time and that does not reflect any cash expenditure by the company because no cash is expended. Furthermore, the expense associated with granting an employee an option is spread over multiple years unlike other compensation expenses which are more proximate to the time of award or payment. For example, we may be recognizing expense in a year where the stock option is significantly underwater and is not going to be exercised or generate any compensation for the employee. The expense associated with an award of an option for 1,000 shares of stock by us in one quarter may have a very different expense than an award of an identical number of shares in a different quarter. Finally, the expense recognized by us for such an option may be very different than the expense to other companies for awarding a comparable option, which makes it difficult to assess our operating performance relative to our competitors. Similar to share-based compensation, payroll tax on stock option exercises is dependent on our stock price and the timing and exercise by employees of our share-based compensation, over which our management has little control, and as such does not correlate to the operation of our business. Because of these unique characteristics of share-based compensation and the related payroll tax, management excludes these expenses when analyzing the organization's business performance. We also believe that presentation of such non-GAAP information is important to enable readers of our financial statements to compare current period results with periods prior to the adoption of FASB ASC Topic 718.

Note D: Non-GAAP Net Income Per Share Items. We provide diluted non-GAAP net income per share. The diluted non-GAAP income per share includes additional dilution from potential issuance of common stock, except when such issuances would be anti-dilutive.

Juniper Networks, Inc.
Preliminary Condensed Consolidated Balance Sheets
(in millions)
(unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$1,810.8	$ 1,639.6
Short-term investments	398.2	332.2
Accounts receivable, net of allowances	507.6	598.9
Deferred tax assets, net	148.2	147.0
Prepaid expenses and other current assets	236.9	254.2
Total current assets	3,101.7	2,971.9
Property and equipment, net	912.2	904.3
Long-term investments	1,241.6	1,133.1
Restricted cash and investments	46.0	46.0
Purchased intangible assets, net	50.5	62.4
Goodwill	2,981.3	2,981.5
Other long-term assets	333.3	303.9
Total assets	$8,666.6	$ 8,403.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 299.9	$ —
Accounts payable	223.6	234.6
Accrued compensation	169.9	225.0
Deferred revenue	855.5	780.8
Other accrued liabilities	221.5	287.3
Total current liabilities	1,770.4	1,527.7
Long-term debt	1,648.7	1,349.0
Long-term deferred revenue	319.2	294.9
Long-term income taxes payable	178.9	177.5
Other long-term liabilities	132.3	134.9
Total liabilities	4,049.5	3,484.0
Total stockholders' equity	4,617.1	4,919.1
Total liabilities and stockholders' equity	$8,666.6	$ 8,403.1

Juniper Networks, Inc.
Preliminary Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	$ 80.2	$ 110.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	46.0	60.8
Depreciation, amortization, and accretion	47.5	48.1
Restructuring and other charges	1.4	122.4
Deferred income taxes	11.3	(44.5)
Gain on investments, net	(0.6)	(166.2)
Excess tax benefits from share-based compensation	(1.7)	(6.7)
Loss on disposal of fixed assets	—	0.8
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	54.2	(15.7)
Prepaid expenses and other assets	(21.8)	(15.7)
Accounts payable	(7.8)	19.0
Accrued compensation	(54.1)	(92.0)
Income taxes payable	14.1	73.1
Other accrued liabilities	(48.4)	(52.2)
Deferred revenue	99.0	82.8
Net cash provided by operating activities	219.3	124.6
Cash flows from investing activities:		
Purchases of property and equipment	(44.2)	(57.4)
Purchases of available-for-sale investments	(398.8)	(327.1)
Proceeds from sales of available-for-sale investments	169.5	1,221.4
Proceeds from maturities of available-for-sale investments	57.3	79.3
Purchases of trading investments	(1.9)	(1.8)
Proceeds from sales of privately-held investments	—	2.5
Purchases of privately-held investments	(3.2)	(1.7)
Payments for business acquisitions, net of cash and cash equivalents acquired	—	(27.1)
Changes in restricted cash	—	24.9
Net cash (used in) provided by investing activities	(221.3)	913.0
Cash flows from financing activities:		
Proceeds from issuance of common stock	31.8	101.2
Purchases and retirement of common stock	(402.4)	(905.8)
Purchase of equity forward contract	—	(300.0)
Issuance of long-term debt, net	594.6	346.5
Payment for capital lease obligation	0.4	(0.4)
Customer financing arrangements	—	8.0
Excess tax benefits from share-based compensation	1.7	6.7
Payment of cash dividends	(40.8)	—
Net cash provided by (used in) financing activities	185.3	(743.8)
Effect of foreign currency exchange rates on cash and cash equivalents	(12.1)	1.6
Net increase in cash and cash equivalents	171.2	295.4
Cash and cash equivalents at beginning of period	1,639.6	2,284.0
Cash and cash equivalents at end of period	$ 1,810.8	$ 2,579.4

* *Certain amounts in the prior year Condensed Consolidated Financial Statements contained in this press release have been reclassified to conform to the current year presentation.*

Juniper Networks, Inc.
Cash, Cash Equivalents, and Investments
(in millions)
(unaudited)

	March 31, 2015	December 31, 2014
Cash and cash equivalents	$1,810.8	$ 1,639.6
Short-term investments	398.2	332.2
Long-term investments	1,241.6	1,133.1
Total	$3,450.6	$ 3,104.9

Exhibit 99.2

Juniper Networks, Inc.
1133 Innovation Way
Sunnyvale, CA 94089

April 23, 2015

CFO Commentary on First Quarter 2015 Financial Results

Related Information

The following commentary is provided by management and should be referenced in conjunction with Juniper Networks' first quarter 2015 financial results press release available on its Investor Relations website at http://investor.juniper.net/investor-relations/default.aspx . These remarks represent management's current views on the Company's financial and operational performance and outlook and are provided to give investors and analysts further insight into our performance in advance of the earnings call webcast.

Q1 2015 Financial Results

GAAP

(in millions, except per share amounts and percentages)	Q1'15	Q4'14	Q1'14	Q/Q Change	Y/Y Change
Revenue	$1,067.4	$1,101.6	$1,170.1	(3)%	(9)%
Product	764.1	794.0	876.0	(4)%	(13)%
Service	303.3	307.6	294.1	(1)%	3%
Gross margin %	62.1%	61.3%	61.5%	0.8pts	0.6pts
Research and development	248.7	233.5	264.0	7%	(6)%
Sales and marketing	225.8	243.0	273.4	(7)%	(17)%
General and administrative	55.2	40.6	74.9	36%	(26)%
Restructuring and other charges	1.4	9.8	114.0	(86)%	(99)%
Impairment of goodwill	—	850.0	—	(100)%	N/A
Total operating expense	531.1	1,376.9	726.3	(61)%	(27)%
Operating margin %	12.3%	(63.7)%	(0.5)%	76.0pts	12.8pts
Net income	$ 80.2	$ (769.6)	$ 110.6	(110)%	(27)%
EPS (Diluted)	$ 0.19	$ (1.81)	$ 0.22	(110)%	(14)%

Non-GAAP

(in millions, except per share amounts and percentages)	Q2'15 Guidance	Q1'15	Q4'14	Q1'14	Q/Q Change	Y/Y Change
Revenue (*)	$1,090 - $1,120	$1,067.4	$1,101.6	$1,137.1	(3)%	(6)%
Product (*)		764.1	794.0	858.4	(4)%	(11)%
Service (*)		303.3	307.6	278.7	(1)%	9%
Gross margin %	64% +/- 0.5%	63.1%	64.1%	63.5%	(1.0)pts	(0.4)pts
Research and development		216.8	199.4	228.8	9%	(5)%
Sales and marketing		212.8	226.3	255.6	(6)%	(17)%
General and administrative		47.1	39.2	57.5	20%	(18)%
Total operating expense	$475 +/- $5	476.7	464.9	541.9	3%	(12)%
Operating margin %	21% (mdpt. of rev.)	18.5%	21.9%	17.2%	(3.4)pts	1.3pts
Net income		$ 131.6	$ 179.3	$ 142.6	(27)%	(8)%
EPS (Diluted)	$0.38 - $0.42	$ 0.32	$ 0.41	$ 0.29	(22)%	10%

(*) Q1'14 revenues have been normalized for the sale of Junos Pulse.

The following CFO Commentary is on a non-GAAP basis and the reconciliations to GAAP can be found at the end of this document. Also, prior year revenue has been normalized for the sale of Junos Pulse.

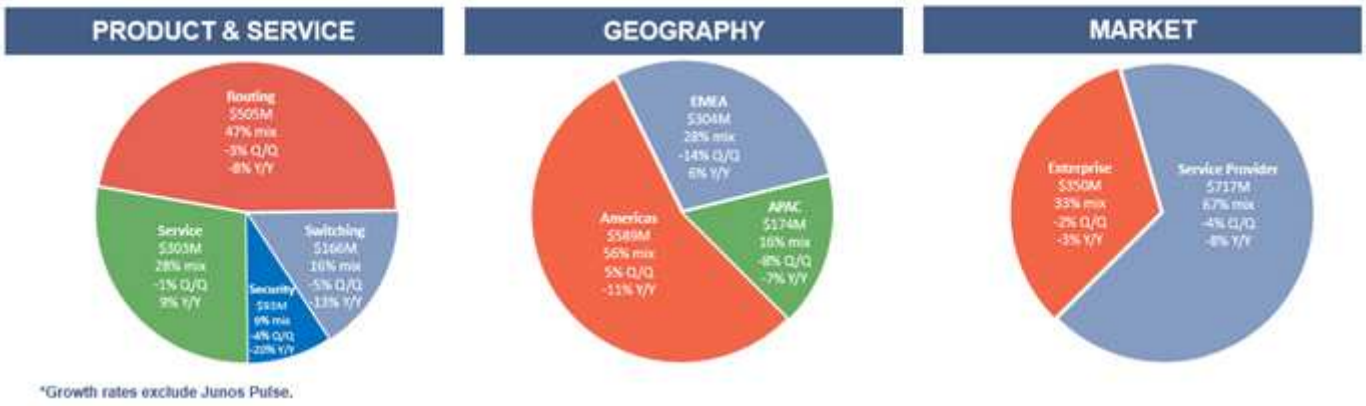
Overview

For the first quarter of 2015, we delivered good year-over-year non-GAAP operating margin and earnings per share expansion, reflecting continued management of our cost structure and significant reduction in our share count, while driving innovation and remaining focused on our growth strategy. We exceeded our revenue guidance range due to slightly better demand from our Cloud, Cable and European Service Providers, which points to the strength in the continued diversification of our customer base.

Our underlying demand metrics were healthy this quarter with an increase in both total and product deferred revenue and a book-to-bill greater than 1.

We continued to deliver on our capital return program. In the quarter, we repurchased $400 million of shares and we are reaffirming our commitment to repurchase a total of $1.0 billion of shares from January through June 2015. Additionally, in the quarter we completed a $600 million bond offering enabling us to execute on our total capital return of $4.1 billion to shareholders through 2016.

Revenue



Product & Service

- **Routing product revenue** : $505 million, down 8% year-over-year and a 3% decline from the prior quarter. As expected, the year-over-year decline was due to continued softness from large US Carriers partially offset by an increase in Enterprise globally and Service Providers in EMEA. Sequentially, the decrease was due to the anticipated decline from Service Providers in EMEA and APAC, offset by a moderate improvement from US Carriers, Cloud, and Cable Providers.
- **Switching product revenue** : $166 million, a decrease of 13% year-over-year, primarily due to declines in campus and branch offset by a modest increase in data center. Quarter-over-quarter, switching product revenue decreased 5% due to normal seasonality in our Enterprise business partially offset by strength from Cloud and Cable Providers.
- **Security product revenue** : $93 million, down 20% year-over-year and 4% sequentially. Our Screen OS and other legacy products declined 54% year-over-year and 23% quarter-over-quarter. The SRX Platform and Security Software were flat sequentially and down 11% year-over-year. The lower revenue from the prior year is due to fewer Service Provider deployments in the Americas and APAC, partially offset by growth in High-End SRX from Cloud Providers in the Americas.
- **Service revenue:** $303 million **,** up 9% year-over-year and down 1% quarter-over-quarter. The year-over-year increase in service revenue was primarily driven by new service contracts and strong contract renewals. The sequential decline is in line with typical seasonality.

Geography

- **Americas:** $589 million, down 11% year-over-year and up 5% quarter-over-quarter. As expected, the year-over-year decrease was primarily due to US Carriers partially offset by Cloud Providers. The sequential increase was driven by Cloud and Cable providers and Enterprise customers.
- **EMEA:** $304 million, up 6% year-over-year and down 14% from the prior quarter. The increase from the prior year was due to growth from Services Providers in Germany, Sweden and the Middle East. The sequential decline was across both Service Providers and Enterprise.
- **APAC:** $174 million, down 7% year-over-year due to revenue declines in China, Japan, and Australia. The 8% decrease quarter-over-quarter was due to declines in Korea, Australia, and China.

Market

- **Service Provider:** $717 million, down 8% year-over-year and 4% from the prior quarter. Year-over-year declines in the Americas and APAC were offset by strength in EMEA across routing, switching and security. Quarter-over-quarter strength in the Americas from Cloud and Cable Providers was offset by declines in EMEA and APAC.
- **Enterprise:** $350 million, down 3% from the prior year and 2% from last quarter. The year-over-year and sequential declines were primarily due to lower switching product revenue in the Americas and EMEA and lower security product revenue in EMEA and APAC. Enterprise routing increased year-over-year in all three geographies. Overall, in Enterprise we saw improved momentum in the data center across routing, switching and security.

Gross Margins

- **Non-GAAP gross margins:** 63.1%, compared to 63.5% a year ago and 64.1% last quarter. As a reminder, for the first quarter of 2015 we guided to a lower gross margin level, than our long range model as a result of the combination of expected lower volumes and higher variable costs.
  - **Non-GAAP product gross margins** : 63.9%, down nine tenths of a point from a year ago and four tenths of a point from last quarter due to mix and lower volume. While the pricing environment is consistently competitive, we remain focused on innovation and continued improvements to our cost structure.
  - **Non-GAAP service gross margins** : 61.3%, up 1.6 points from a year ago and down 2.3 points quarter-over-quarter. The year-over-year increase was due to operational improvements and lower costs, while the sequential decline was due to lower revenue, the impact of seasonally higher variable labor costs such as FICA tax-related expense, and the reset of variable compensation.

Operating Expenses

- **Non-GAAP operating expenses:** $477 million, within our guidance range, down $65 million or 12% year-over-year. This reflects the continued management of our cost structure primarily due to year-over-year headcount reductions of 8% and a decrease in real estate square footage of 13%. Non-GAAP operating expenses increased sequentially, as expected, due to typical first quarter employee-related variable expenses.

Operating Margin

- **Non-GAAP operating margins:** 18.5%, an improvement of 1.3 points year-over-year despite lower revenue. This reflects our continued focus on cost management.

Tax Rate

- **Non-GAAP tax rate:** 26.9%, compared to 20.9% last quarter. This change is primarily due to the $13 million one-time benefit in the prior quarter for the federal R&D tax credit.

Diluted Earnings Per Share

- **Non-GAAP diluted earnings per share:** $0.32, increased $0.03 year-over-year primarily due to the positive impact from cost reductions and reduced share count offset by lower revenue and gross margins. The sequential decrease of $0.09 was due to lower revenue and gross margins, an increase in the tax rate, and higher operating expenses partially offset by a positive impact from reduced share count.

Balance Sheet, Cash Flow, and Capital Return

(in millions)	Q1'15	Q4'14	Q3'14	Q2'14	Q1'14
Cash [1]	$3,450.6	$3,104.9	$3,321.0	$3,960.4	$3,478.7
Debt	1,948.6	1,349.0	1,348.9	1,348.9	1,348.9
Net cash and investments	1,502.0	1,755.9	1,972.1	2,611.5	2,129.8
Operating cash flow [4]	219.3	284.9	(69.7)	423.6[2]	124.6
Share repurchases	400.0	500.0	850.0[3]	—	900.0[3]
Dividends	$ 40.8	$ 42.2	$ 43.8	$ —	$ —
Diluted shares	414.2	432.4	454.8	476.5	496.5

(1) Cash includes cash, cash equivalents, and investments.
(2) Includes $75 million from a patent litigation settlement.
(3) Represents a $1.2 billion accelerated share repurchase of which $900 million of shares and $300 million of shares were delivered in first and third quarter of 2014, respectively.
(4) Certain prior period amounts have been reclassified to conform to the current period presentation.

Balance Sheet

- **Cash:** $3.5 billion, with 20% held onshore.
- **Debt:** $1.9 billion, including the $600 million bond offering completed in the quarter. We continue to maintain investment grade credit ratings of BBB/Baa2 by S&P and Moody's. We believe that our debt also has well staggered maturities.
- **Net cash and investments:** $1.5 billion. A decline of $254 million quarter-over-quarter primarily due to share repurchases and dividend payments totaling $441 million offset by cash flow from operations of $219 million.

Cash Flow

- **Cash flow from operations:** Cash flow from operations was $219 million, down from $285 million from the prior quarter primarily due to payments for incentive compensation.

Capital Return

- We continue to deliver on our commitments to shareholders and execute on our capital return plan.
- We repurchased $400 million of shares in the quarter.
- Since the beginning of 2014, we repurchased and retired approximately 114 million shares.
- Diluted share count declined 17% year-over-year.
- We are reaffirming our commitment to return a total of $4.1 billion to shareholders through 2016.
- A quarterly dividend of $0.10 per share was paid in March with the intent to grow it over time.
- The Board approved a dividend of $0.10 per share for the second quarter of 2015.

Other Financial Metrics

(in millions, except product book-to-bill, days sales outstanding ("DSO"), and headcount)	Q1'15	Q4'14	Q3'14	Q2'14	Q1'14
Product book-to-bill	>1	>1	1	1	<1
DSO	43	49	49	41	46
Depreciation and amortization	$ 46.0	$ 42.5	$ 44.3	$ 45.3	$ 46.1
Capital expenditures	$ 44.2	$ 51.9	$ 42.4	$ 41.2	$ 57.4
Headcount	8,772	8,806	9,059	9,083	9,573

Demand metrics

- Product book-to-bill was greater than 1.
- Total deferred revenue was $1,175 million up $21 million year-over-year and $99 million quarter-over-quarter.
- Product deferred revenue was $253 million up $22 million year-over-year and $28 million sequentially.

DSO

- **DSO:** 43 days, compared to 49 days from the prior quarter, a decline of 6 days. The sequential decline was primarily due to better shipment linearity and collections in the quarter.

Headcount

- 8,772, a decline of 801 employees or 8% year-over-year.

Outlook

These metrics are provided on a non-GAAP basis, except for revenue and share count.

The Company continues to see the long-term demand drivers as healthy and is confident in its innovation pipeline. Juniper expects to return to its historical pattern of higher revenue in the second half of 2015 versus the first half of the year.

Juniper Networks estimates that for the quarter ending June 30, 2015:

- Revenues will be in the range of $1,090 million to $1,120 million.
- Non-GAAP gross margin will be approximately 64%, plus or minus 0.5%.
- Non-GAAP operating expenses will be $475 million, plus or minus $5 million.
- Non-GAAP operating margin will be roughly 21% at the midpoint of revenue guidance.
- Non-GAAP net income per share will range between $0.38 and $0.42 on a diluted basis. This assumes a share count of 395 million and a non-GAAP tax rate flat from the first quarter, assuming no renewal of the R&D tax credit for 2015.

Forward-Looking Statements

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

Use of Non-GAAP Financial Measures

This CFO Commentary contains references to the following non-GAAP financial measures: product gross margin as a percentage of product revenue; service gross margin as a percentage of service revenue; gross margin as a percentage of revenue; research and development expense; sales and marketing expense; general and administrative expense; operating expense; operating income; operating margin; income tax rate; net income; and net income per share. For important commentary on why Juniper Networks considers non-GAAP information a useful view of the company's financial results, please see the press release furnished with our Form 8-K filed today with the SEC. With respect to future financial guidance provided on a non-GAAP basis, we have excluded estimates for amortization of intangible assets, share-based compensation expenses, acquisition-related charges, restructuring and other charges, impairment charges, professional services related to non-routine stockholder matters, litigation settlement and resolution charges, gain or loss on equity investments, retroactive impact of certain tax settlements, non-recurring income tax adjustments, valuation allowance on deferred tax assets, and income tax effect of non-GAAP exclusions. These measures are not presented in accordance with, nor are they a substitute for U.S. generally accepted accounting principles or GAAP. In addition, these measures may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes. The non-GAAP financial measures used in this CFO Commentary should not be considered in isolation from measures of financial performance prepared in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future.

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

Juniper Networks, Inc.

GAAP to Non-GAAP Reconciliations

Revenue by Product & Service Ex-Junos Pulse

Revenue, As Reported (in millions, except percentages)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q/Q		Y/Y	
Routing	$ 549.8	$ 617.8	$ 533.2	$ 523.1	$ 504.8	$(18.3)	(3)%	$ (45.0)	(8)%
Switching	192.0	199.8	155.0	174.4	166.5	(7.9)	(5)%	(25.5)	(13)%
Security	134.2	111.6	121.3	96.5	92.8	(3.7)	(4)%	(41.4)	(31)%
Product	876.0	929.2	809.5	794.0	764.1	(29.9)	(4)%	(111.9)	(13)%
Service	294.1	300.3	316.4	307.6	303.3	(4.3)	(1)%	9.2	3%
Total	$1,170.1	$1,229.5	$1,125.9	$1,101.6	$1,067.4	$(34.2)	(3)%	$(102.7)	(9)%

Revenue, Ex-Junos Pulse (in millions, except percentages)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q/Q		Y/Y	
Routing	$ 549.8	$ 617.8	$ 533.2	$ 523.1	$ 504.8	$(18.3)	(3)%	$ (45.0)	(8)%
Switching	192.0	199.8	155.0	174.4	166.5	(7.9)	(5)%	(25.5)	(13)%
Security	116.6	95.7	105.9	96.5	92.8	(3.7)	(4)%	(23.8)	(20)%
Product	858.4	913.3	794.1	794.0	764.1	(29.9)	(4)%	(94.3)	(11)%
Service	278.7	284.8	301.2	307.6	303.3	(4.3)	(1)%	24.6	9%
Total	$1,137.1	$1,198.1	$1,095.3	$1,101.6	$1,067.4	$(34.2)	(3)%	$ (69.7)	(6)%

Security Products: Quarterly Revenue Trend

(in millions)	Q1'14 (*)	Q2'14 (*)	Q3'14 (*)	Q4'14 (*)	Q1'15
SRX Platform and Security Software	$ 91.3	$ 78.0	$ 87.6	$ 81.4	$81.1
Screen OS and Other Legacy	25.3	17.7	18.3	15.1	11.7
Junos Pulse	17.6	15.9	15.4	—	—
Total product revenue	$ 134.2	$ 111.6	$ 121.3	$ 96.5	$92.8

(*) Certain prior period amounts have been reclassified to conform to the current period presentation.

Juniper Networks, Inc.

GAAP to Non-GAAP Reconciliations

Revenue by Geography Ex-Junos Pulse

Revenue, As Reported (in millions, except percentages)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q/Q		Y/Y	
Americas	$ 681.5	$ 711.0	$ 678.3	$ 559.5	$ 589.0	$ 29.5	5%	$ (92.5)	(14)%
EMEA	295.7	324.8	290.5	352.3	303.8	(48.5)	(14)%	8.1	3%
APAC	192.9	193.7	157.1	189.8	174.6	(15.2)	(8)%	(18.3)	(9)%
Total	$1,170.1	$1,229.5	$1,125.9	$1,101.6	$1,067.4	$(34.2)	(3)%	$(102.7)	(9)%

Revenue, Ex-Junos Pulse (in millions, except percentages)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q/Q		Y/Y	
Americas	$ 662.7	$ 693.9	$ 662.2	$ 559.5	$ 589.0	$ 29.5	5%	$ (73.7)	(11)%
EMEA	286.7	315.3	280.6	352.3	303.8	(48.5)	(14)%	17.1	6%
APAC	187.7	188.9	152.5	189.8	174.6	(15.2)	(8)%	(13.1)	(7)%
Total	$1,137.1	$1,198.1	$1,095.3	$1,101.6	$1,067.4	$(34.2)	(3)%	$ (69.7)	(6)%

Revenue by Market Ex-Junos Pulse

Revenue, As Reported (in millions, except percentages)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q/Q		Y/Y	
SP	$ 782.7	$ 831.8	$ 741.5	$ 744.4	$ 717.0	$(27.4)	(4)%	$ (65.7)	(8)%
Enterprise	387.4	397.7	384.4	357.2	350.4	(6.8)	(2)%	(37.0)	(10)%
Total	$1,170.1	$1,229.5	$1,125.9	$1,101.6	$1,067.4	$(34.2)	(3)%	$(102.7)	(9)%

Revenue, Ex-Junos Pulse (in millions, except percentages)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q/Q		Y/Y	
SP	$ 777.4	$ 827.5	$ 733.8	$ 744.4	$ 717.0	$(27.4)	(4)%	$ (60.4)	(8)%
Enterprise	359.7	370.6	361.5	357.2	350.4	(6.8)	(2)%	(9.3)	(3)%
Total	$1,137.1	$1,198.1	$1,095.3	$1,101.6	$1,067.4	$(34.2)	(3)%	$ (69.7)	(6)%

Juniper Networks, Inc.

GAAP to Non-GAAP Reconciliations

	Q1'15	Q4'14	Q1'14
GAAP gross margin - Product	$480.9	$483.1	$549.4
GAAP product gross margin % of product revenue	62.9%	60.8%	62.7%
Share-based compensation expense	1.7	1.1	1.3
Share-based payroll tax expense	0.1	—	0.3
Amortization of purchased intangible assets	5.2	7.2	8.2
Restructuring and other charges	—	19.4	8.4
Non-GAAP gross margin - Product	$487.9	$510.8	$567.6
Non-GAAP product gross margin % of product revenue	63.9%	64.3%	64.8%
GAAP gross margin - Service	$182.0	$192.0	$170.7
GAAP service gross margin % of service revenue	60.0%	62.4%	58.0%
Share-based compensation expense	3.4	3.5	4.0
Share-based payroll tax expense	0.4	0.2	1.0
Non-GAAP gross margin - Service	$185.8	$195.7	$175.7
Non-GAAP service gross margin % of service revenue	61.3%	63.6%	59.7%
GAAP gross margin	$662.9	$675.1	$720.1
GAAP gross margin % of revenue	62.1%	61.3%	61.5%
Share-based compensation expense	5.1	4.6	5.3
Share-based payroll tax expense	0.5	0.2	1.3
Amortization of purchased intangible assets	5.2	7.2	8.2
Restructuring and other charges	—	19.4	8.4
Non-GAAP gross margin	$673.7	$706.5	$743.3
Non-GAAP gross margin % of revenue	63.1%	64.1%	63.5%
GAAP research and development expense	$248.7	$233.5	$264.0
Share-based compensation expense	(30.7)	(33.7)	(32.1)
Share-based payroll tax expense	(1.2)	(0.4)	(3.1)
Non-GAAP research and development expense	$216.8	$199.4	$228.8
GAAP sales and marketing expense	$225.8	$243.0	$273.4
Share-based compensation expense	(5.8)	(15.3)	(14.6)
Share-based payroll tax expense	(0.8)	(0.4)	(2.2)
Amortization of purchased intangible assets	(6.4)	(1.0)	(1.0)
Non-GAAP sales and marketing expense	$212.8	$226.3	$255.6
GAAP general and administrative expense	$ 55.2	$ 40.6	$ 74.9
Share-based compensation expense	(4.4)	(1.0)	(8.8)
Share-based payroll tax expense	(0.4)	(0.1)	(0.4)
Amortization of purchased intangible assets	(0.3)	(0.3)	(0.3)
Acquisition-related charges	—	—	(0.6)
Professional services related to non-routine stockholder matters	(3.0)	—	(7.3)
Non-GAAP general and administrative expense	$ 47.1	$ 39.2	$ 57.5

Juniper Networks, Inc.

GAAP to Non-GAAP Reconciliations

	Q1'15	Q4'14	Q1'14
GAAP operating expense	$531.1	$1,376.9	$ 726.3
Share-based compensation expense	(40.9)	(50.0)	(55.5)
Share-based payroll tax expense	(2.4)	(0.9)	(5.7)
Amortization of purchased intangible assets	(6.7)	(1.3)	(1.3)
Restructuring and other charges	(1.4)	(9.8)	(114.0)
Impairment of goodwill	—	(850.0)	—
Acquisition-related charges	—	—	(0.6)
Professional services related to non-routine stockholder matters	(3.0)	—	(7.3)
Non-GAAP operating expense	$476.7	$ 464.9	$ 541.9
GAAP operating income (loss)	$131.8	$ (701.8)	$ (6.2)
GAAP operating margin	12.3%	(63.7)%	(0.5)%
Share-based compensation expense	46.0	54.6	60.8
Share-based payroll tax expense	2.9	1.1	7.0
Amortization of purchased intangible assets	11.9	8.5	9.5
Restructuring and other charges	1.4	29.2	122.4
Impairment of goodwill	—	850.0	—
Acquisition-related charges	—	—	0.6
Professional services related to non-routine stockholder matters	3.0	—	7.3
Non-GAAP operating income	$197.0	$ 241.6	$ 201.4
Non-GAAP operating margin	18.5%	21.9%	17.2%
GAAP income (loss) tax provision	$ 35.8	$ 75.2	$ 37.4
GAAP income (loss) tax rate	30.9%	(10.8)%	25.3%
Income tax effect of non-GAAP exclusions	12.7	(27.7)	11.6
Non-GAAP provision for income tax	$ 48.5	$ 47.5	$ 49.0
Non-GAAP income tax rate	26.9%	20.9%	25.6%
GAAP net income (loss)	$ 80.2	$ (769.6)	$ 110.6
Share-based compensation expense	46.0	54.6	60.8
Share-based payroll tax expense	2.9	1.1	7.0
Amortization of purchased intangible assets	11.9	8.5	9.5
Restructuring and other charges	1.4	29.2	122.4
Impairment of goodwill	—	850.0	—
Acquisition-related charges	—	—	0.6
Professional services related to non-routine stockholder matters	3.0	—	7.3
Gain on equity investments	—	(0.6)	(164.0)
Gain on sale of Junos Pulse	—	(19.6)	—
Other	(1.1)	(2.0)	—
Income tax effect of non-GAAP exclusions	(12.7)	27.7	(11.6)
Non-GAAP net income	$131.6	$ 179.3	$ 142.6
GAAP diluted net income (loss) per share	$ 0.19	$ (1.81)	$ 0.22
Non-GAAP diluted net income per share	$ 0.32	$ 0.41	$ 0.29
Shares used in computing GAAP diluted net income (loss) per share	414.2	426.1	496.5
Shares used in computing Non-GAAP diluted net income per share	414.2	432.4	496.5