

## Juniper Networks

# Juniper to be acquired by HPE for \$14bn; Changing to No Rating

Rating Change: NO RATING | PO: NA | Price: 36.81 USD

## Juniper to be acquired by HPE for \$14bn, or \$40.00/share

Juniper (JNPR) announced it entered a definitive agreement to be acquired by Hewlett Packard Enterprise (HPE) in an all-cash transaction for \$14bn, or \$40.00/share, representing a 32% premium to the closing price on January 8, 2024, the last full trading day prior to media reports regarding a possible transaction. The deal values Juniper at roughly 17x 2024E P/E vs. the stock's previous 13x multiple. The transaction is expected to close in late 2024/early 2025 subject to customary closing conditions, including shareholder and regulatory approvals. We change our rating to No Rating, as the stock is no longer trading on its own fundamentals. Investors should not rely on our prior ratings or price objective.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.75	1.95	2.29	2.34	2.59
GAAP EPS	0.77	1.43	1.04	1.60	1.83
EPS Change (YoY)	12.2%	11.4%	17.4%	2.2%	10.7%
Consensus EPS (Bloomberg)			2.29	2.33	2.56
DPS	0.79	0.82	0.85	0.81	0.80
EPS Ex-Options Expense	1.75	1.95	2.29	2.34	2.59
Valuation (Dec)					
P/E	21.0x	18.9x	16.1x	15.7x	14.2x
GAAP P/E	47.8x	25.7x	35.4x	23.0x	20.1x
Dividend Yield	2.1%	2.2%	2.3%	2.2%	2.2%
EV / EBITDA*	19.2x	18.0x	16.4x	16.1x	15.0x
Free Cash Flow Yield*	3.4%	0%	5.0%	4.9%	5.2%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

10 January 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-3-7	-6-
Inv. Rating	UNDERPERFORM	NO RATING
Price Obj.	29.00	NA

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### Stock Data

Price	36.81 USD
Price Objective	NA
Date Established	NA
Investment Opinion	-6-
52-Week Range	24.87 USD - 37.27 USD
Mrkt Val (mn) / Shares Out (mn)	17,522 USD / 476.0
Free Float	98.7%
Average Daily Value (mn)	117.43 USD
BofA Ticker / Exchange	JNPR / NYS
Bloomberg / Reuters	JNPR US / JNPR.N
ROE (2023E)	16.6%
Net Dbt to Eqty (Dec-2022A)	16.1%
ESGMeter™	High

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Timestamp: 10 January 2024 01:00AM EST

# iQprofile<sup>SM</sup> Juniper Networks

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	6.6%	8.8%	8.6%	9.3%	9.4%
Return on Equity	13.0%	14.6%	16.6%	15.7%	15.2%
Operating Margin	15.9%	15.7%	17.0%	17.3%	18.1%
Free Cash Flow	590	(8)	879	857	908

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.2x	0.2x	1.4x	1.4x	1.3x
Asset Replacement Ratio	0.4x	0.5x	0.8x	0.7x	0.7x
Tax Rate	35.6%	24.5%	34.0%	25.5%	24.9%
Net Debt-to-Equity Ratio	17.7%	16.1%	5.3%	-8.5%	-20.6%
Interest Cover	21.5x	21.2x	30.4x	40.4x	NM

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	4,735	5,301	5,600	5,512	5,749
% Change	6.5%	11.9%	5.6%	-1.6%	4.3%
Gross Profit	2,829	3,043	3,297	3,293	3,461
% Change	7.5%	7.6%	8.3%	-0.1%	5.1%
EBITDA	988	1,052	1,157	1,180	1,269
% Change	9.3%	6.5%	9.9%	2.0%	7.5%
Net Interest & Other Income	(35)	(39)	(31)	(24)	(19)
<b>Net Income (Adjusted)</b>	<b>576</b>	<b>643</b>	<b>745</b>	<b>754</b>	<b>829</b>
<b>% Change</b>	<b>10.9%</b>	<b>11.5%</b>	<b>15.9%</b>	<b>1.2%</b>	<b>10.1%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	253	471	339	517	586
Depreciation & Amortization	237	218	206	226	226
Change in Working Capital	(199)	(575)	247	14	(12)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	399	(16)	253	263	271
Capital Expenditure	(100)	(105)	(165)	(163)	(163)
<b>Free Cash Flow</b>	<b>590</b>	<b>-8</b>	<b>879</b>	<b>857</b>	<b>908</b>
<b>% Change</b>	<b>15.3%</b>	<b>NM</b>	<b>NM</b>	<b>-2.5%</b>	<b>5.9%</b>
Share / Issue Repurchase	56	57	92	153	153
Cost of Dividends Paid	(259)	(270)	(276)	(260)	(258)
Change in Debt	0	0	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	923	880	1,348	2,023	2,786
Trade Receivables	994	1,227	1,012	1,048	1,066
Other Current Assets	1,040	1,510	1,696	1,716	1,736
Property, Plant & Equipment	703	667	670	607	544
Other Non-Current Assets	5,227	5,043	4,846	4,846	4,846
<b>Total Assets</b>	<b>8,887</b>	<b>9,327</b>	<b>9,571</b>	<b>10,239</b>	<b>10,978</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	1,877	2,079	2,212	2,258	2,298
Long-Term Debt	1,687	1,601	1,589	1,589	1,589
Other Non-Current Liabilities	1,007	1,171	1,264	1,289	1,275
<b>Total Liabilities</b>	<b>4,570</b>	<b>4,852</b>	<b>5,065</b>	<b>5,135</b>	<b>5,161</b>
<b>Total Equity</b>	<b>4,317</b>	<b>4,475</b>	<b>4,507</b>	<b>5,104</b>	<b>5,816</b>
<b>Total Equity &amp; Liabilities</b>	<b>8,887</b>	<b>9,327</b>	<b>9,571</b>	<b>10,239</b>	<b>10,978</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Data Networking

## Company Description

Juniper (JNPR) is a provider of high-performance network infrastructure to service providers and enterprises. Key products include IP-based routers for service provider core and edge networks, security solutions, and high-end enterprise routing equipment. Juniper's products supports converged data, voice, video, and wireless applications across extended network

## Investment Rationale

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Stock Data

Average Daily Volume 3,190,112

## Quarterly Earnings Estimates

	2022	2023
Q1	0.31A	0.48A
Q2	0.42A	0.58A
Q3	0.58A	0.60A
Q4	0.65A	0.63E

## Price objective basis & risk

### Juniper Networks (JNPR)

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Analyst Certification

I, Tal Liani, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Qualcomm	QCOM	QCOM US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
<b>NEUTRAL</b>				
	Cellebrite	CLBT	CLBT US	Tal Liani
	Cisco Systems	CSCO	CSCO US	Tal Liani
	CommScope	COMM	COMM US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
<b>UNDERPERFORM</b>				
	Cloudflare	NET	NET US	Madeline Brooks
	F5 Inc	FFIV	FFIV US	Tal Liani
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	SecureWorks	SCWX	SCWX US	Tal Liani



## **IQmethod<sup>SM</sup> Measures Definitions**

### **Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

### **Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

### **Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

### **Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

### **Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

### **Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

### **Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

### **Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

### **Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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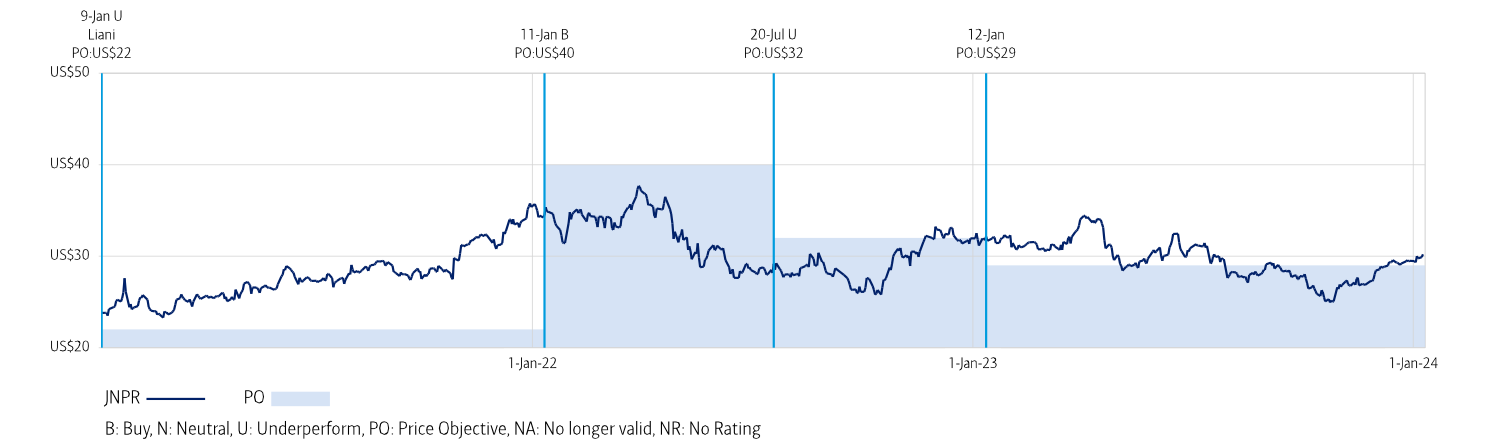
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Juniper Networks (JNPR) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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