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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

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: 001-34501

JUNIPER NETWORKS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0422528**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1133 Innovation Way	
Sunnyvale, California	**94089**
(Address of principal executive offices)	(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.00001 per share	JNPR	New York Stock Exchange

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 o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company”, and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer		Non-accelerated filer		Smaller reporting company		Emerging growth company	
	☒		☐		☐		☐		☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

There were 324,987,897 shares of the Company's Common Stock, par value $0.00001, outstanding as of April 24, 2024.

Juniper Networks, Inc.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Juniper Networks, Inc.

Condensed Consolidated Statements of Operations
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Net revenues:		
Product	$ 651.9	$ 912.6
Service	497.0	459.2
Total net revenues	1,148.9	1,371.8
Cost of revenues:		
Product	323.9	454.9
Service	144.1	145.7
Total cost of revenues	468.0	600.6
Gross margin	680.9	771.2
Operating expenses:		
Research and development	296.6	284.8
Sales and marketing	305.4	303.2
General and administrative	60.7	68.0
Restructuring charges (benefits)	4.1	(0.5)
Merger-related charges [(1)]	28.3	—
Total operating expenses	695.1	655.5
Operating (loss) income	(14.2)	115.7
Gain (loss) on privately-held investments, net [(2)]	(14.3)	0.2
Other income (expense), net [(2)]	2.1	(8.8)
Income (loss) before income taxes and loss from equity method investment	(26.4)	107.1
Income tax (benefit) provision	(27.7)	19.6
Loss from equity method investment, net of tax	2.1	2.1
Net (loss) income	$ (0.8)	$ 85.4
Net (loss) income per share:		
Basic	$ (0.00)	$ 0.26
Diluted	$ (0.00)	$ 0.26
Weighted-average shares used to compute net (loss) income per share:		
Basic	322.6	322.3
Diluted	322.6	329.1

[(1)] Represents charges incurred directly in connection with the pending merger with HPE (as defined below). See Note 1, Basis of Presentation and Summary of Significant Accounting Policies, for further information.

[(2)] The prior period amounts have been reclassified to conform to the current period presentation.

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.

Condensed Consolidated Statements of Comprehensive (Loss) Income
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2024	**2023**
Net (loss) income	$ (0.8)	$ 85.4
Other comprehensive (loss) income, net:		
Available-for-sale debt securities:		
Change in net unrealized gains and losses	(29.0)	2.1
Net realized gains reclassified into net income	(0.1)	—
Net change on available-for-sale debt securities	(29.1)	2.1
Cash flow hedges:		
Change in net unrealized gains and losses	(5.4)	(6.9)
Net realized losses reclassified into net income	1.2	7.4
Net change on cash flow hedges	(4.2)	0.5
Change in foreign currency translation adjustments	(3.7)	1.5
Other comprehensive (loss) income, net	(37.0)	4.1
Comprehensive (loss) income	$ (37.8)	$ 89.5

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.

Condensed Consolidated Balance Sheets
(In millions, except par values)

	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,069.8	$ 1,068.1
Short-term investments	187.9	139.4
Accounts receivable, net of allowances	814.9	1,044.1
Inventory	958.2	952.4
Prepaid expenses and other current assets	510.1	591.5
Total current assets	3,540.9	3,795.5
Property and equipment, net	688.6	689.9
Operating lease assets	158.4	111.4
Long-term investments	277.2	116.8
Purchased intangible assets, net	74.6	91.8
Goodwill	3,734.3	3,734.4
Other long-term assets	1,004.2	978.7
Total assets	$ 9,478.2	$ 9,518.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 250.2	$ 295.1
Accrued compensation	210.9	292.2
Deferred revenue	1,205.5	1,130.0
Other accrued liabilities	363.4	386.7
Total current liabilities	2,030.0	2,104.0
Long-term debt	1,607.1	1,616.8
Long-term deferred revenue	919.4	894.9
Long-term income taxes payable	173.5	204.5
Long-term operating lease liabilities	130.6	82.9
Other long-term liabilities	136.4	122.7
Total liabilities	4,997.0	5,025.8
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, $0.00001 par value; 10.0 shares authorized; none issued and outstanding	—	—
Common stock, $0.00001 par value; 1,000.0 shares authorized; 324.9 shares and 320.3 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	6,776.1	6,740.0
Accumulated other comprehensive income	12.1	49.1
Accumulated deficit	(2,307.0)	(2,296.4)
Total stockholders' equity	4,481.2	4,492.7
Total liabilities and stockholders' equity	$ 9,478.2	$ 9,518.5

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.

Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net (loss) income	$ (0.8)	$ 85.4
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Share-based compensation expense	79.9	60.9
Depreciation, amortization, and accretion	44.2	49.4
Deferred income taxes [1]	(26.6)	(28.3)
Provision (benefit) for inventory excess and obsolescence [1]	(1.0)	22.4
Operating lease assets expense	10.8	10.1
Loss (gain) on privately-held investments, net [1]	14.3	(0.2)
Loss from equity method investment	2.1	2.1
Other [1]	(0.3)	3.9
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	228.8	166.1
Inventory [1]	(22.5)	(171.0)
Prepaid expenses and other assets [1]	70.2	(56.0)
Accounts payable	(38.3)	15.4
Accrued compensation	(79.4)	(78.4)
Income taxes payable	(24.9)	29.6
Other accrued liabilities [1]	(32.5)	(16.1)
Deferred revenue	101.0	96.2
Net cash provided by operating activities	325.0	191.5
Cash flows from investing activities:		
Purchases of property and equipment	(34.8)	(42.1)
Purchases of available-for-sale debt securities	(283.5)	(5.0)
Proceeds from sales of available-for-sale debt securities	6.1	14.0
Proceeds from maturities and redemptions of available-for-sale debt securities	45.1	69.4
Purchases of equity securities	(2.7)	(2.4)
Proceeds from sales of equity securities	4.3	7.4
Other	—	0.9
Net cash (used in) provided by investing activities	(265.5)	42.2
Cash flows from financing activities:		
Repurchase and retirement of common stock	(14.6)	(151.3)
Proceeds from issuance of common stock	32.1	31.1
Payment of dividends	(71.4)	(70.6)
Net cash used in financing activities	(53.9)	(190.8)
Effect of foreign currency exchange rates on cash, cash equivalents, and restricted cash	(3.6)	1.2
Net increase in cash, cash equivalents, and restricted cash	2.0	44.1
Cash, cash equivalents, and restricted cash at beginning of period	1,084.3	897.7
Cash, cash equivalents, and restricted cash at end of period	$ 1,086.3	$ 941.8

[1] The prior period amounts have been reclassified to conform to the current period presentation.

Juniper Networks, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2024				
	Shares	Common Stock and Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2023	320.3	$ 6,740.0	$ 49.1	$ (2,296.4)	$ 4,492.7
Net loss	—	—	—	(0.8)	(0.8)
Other comprehensive loss, net	—	—	(37.0)	—	(37.0)
Issuance of common stock	5.0	32.1	—	—	32.1
Repurchase and retirement of common stock	(0.4)	(4.8)	—	(9.8)	(14.6)
Share-based compensation expense	—	80.2	—	—	80.2
Payments of cash dividends ($0.22 per share of common stock)	—	(71.4)	—	—	(71.4)
Balance at March 31, 2024	324.9	$ 6,776.1	$ 12.1	$ (2,307.0)	$ 4,481.2

	Three Months Ended March 31, 2023				
	Shares	Common Stock and Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2022	322.9	$ 6,846.4	$ 4.2	$ (2,375.5)	$ 4,475.1
Net income	—	—	—	85.4	85.4
Other comprehensive income, net	—	—	4.1	—	4.1
Issuance of common stock	3.3	31.1	—	—	31.1
Repurchase and retirement of common stock	(4.8)	(60.2)	—	(91.1)	(151.3)
Share-based compensation expense	—	61.4	—	—	61.4
Payments of cash dividends ($0.22 per share of common stock)	—	(70.6)	—	—	(70.6)
Balance at March 31, 2023	321.4	$ 6,808.1	$ 8.3	$ (2,381.2)	$ 4,435.2

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The Condensed Consolidated Financial Statements of Juniper Networks, Inc. (the “Company” or “Juniper”) were prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all information and footnotes required by U.S. GAAP for complete financial statements. The Condensed Consolidated Balance Sheet as of December 31, 2023 has been derived from the audited Consolidated Financial Statements at that date. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair presentation have been included. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024, or any future period.

These Condensed Consolidated Financial Statements and accompanying notes should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "Form 10-K"). The Company has evaluated all subsequent events through the date these condensed consolidated financial statements were issued.

The preparation of the financial statements and related disclosures in accordance with U.S. GAAP requires the Company to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and the accompanying notes. Actual results could differ materially from those estimates under different assumptions or conditions.

Certain prior period amounts have been reclassified to conform to the current period's presentation. None of these reclassifications had a material impact to the unaudited Condensed Consolidated Financial Statements.

HPE Merger Agreement

On January 9, 2024, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among the Company, Hewlett Packard Enterprise Company, a Delaware corporation (“HPE”), and Jasmine Acquisition Sub, Inc., a Delaware corporation and wholly owned subsidiary of HPE (“Merger Sub”), pursuant to which Merger Sub will merge with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly owned subsidiary of HPE. Under the terms of the Merger Agreement, at the effective time of the Merger, each issued and outstanding share of the Company's common stock (subject to certain exceptions set forth in the Merger Agreement) will be canceled and converted into the right to receive $40.00 in cash, without interest and subject to applicable withholding taxes.

The Merger Agreement generally requires the Company to use commercially reasonable efforts to operate the Company's business in the ordinary course, subject to certain exceptions including as required by applicable law, pending consummation of the Merger, and subjects the Company to customary interim operating covenants that restrict the Company from taking certain specified actions without HPE’s approval (such approval not to be unreasonably withheld, conditioned, or delayed) until the Merger is completed or the Merger Agreement is terminated in accordance with its terms. During this period, the Company is permitted to continue paying regular quarterly dividends, substantially in accordance with past practice, at a quarterly rate not to exceed $0.22 per share.

The completion of the Merger, which is currently expected to close in late calendar year 2024 or early calendar year 2025, is subject to the receipt of regulatory approvals and other customary closing conditions. On April 2, 2024, the Company received approval of the Merger Agreement from its stockholders. If the transaction is consummated, the Company's common stock will be delisted from the New York Stock Exchange and deregistered under the Securities Exchange Act of 1934 (the “Exchange Act”).

The Merger Agreement can be terminated under certain customary circumstances, including by mutual agreement, the imposition of a final and non-appealable governmental order that permanently enjoins or otherwise prohibits the Merger, an uncured breach of the Merger Agreement by the other party, or if the Merger has not been consummated by January 9, 2025, as may be automatically extended pursuant to the terms of the Merger Agreement. Under certain specified circumstances in which the Merger Agreement is terminated, the Company is required to pay HPE a termination fee equal to $407.5 million, and under certain other specified circumstances in which the Merger Agreement is terminated, HPE is required to pay the Company a termination fee equal to $815.0 million.

In connection with the pending Merger, the Company incurred $28.3 million of expenses for the period ended March 31, 2024, including professional services and financial advisory fees, all of which were recorded within "Merger-related charges" in the Condensed Consolidated Statements of Operations.

Summary of Significant Accounting Policies

There have been no significant changes to the Company's significant accounting policies described in Note 1, Description of Business, Basis of Presentation and Significant Accounting Policies, in Notes to Consolidated Financial Statements in Item 8 of Part II of the Form 10-K for the fiscal year ended December 31, 2023.

Recent Accounting Standards Not Yet Adopted

Improvements to Reportable Segment Disclosures: In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07), which requires disclosure of incremental segment information on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the effect of this pronouncement on its disclosures.

Improvements to Income Tax Disclosures: In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which expands the disclosures required for income taxes. This ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendment should be applied on a prospective basis while retrospective application is permitted. The Company is currently evaluating the effect of this pronouncement on its disclosures.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 2. Cash Equivalents and Investments

Investments in Available-for-Sale Debt Securities

The following table summarizes the Company's unrealized gains and losses and fair value of investments designated as available-for-sale debt securities as of March 31, 2024 and December 31, 2023 (in millions):

	As of March 31, 2024				As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized and Credit Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized and Credit Losses	Estimated Fair Value
Fixed income securities:								
Asset-backed and mortgage-backed securities	$ 99.3	$ —	$ (0.5)	$ 98.8	$ 38.2	$ 0.2	$ (0.4)	$ 38.0
Corporate debt securities	234.1	0.4	(1.0)	233.5	160.2	0.7	(1.3)	159.6
Certificates of deposit	16.2	—	—	16.2	3.0	—	—	3.0
Commercial paper	92.1	—	—	92.1	41.1	—	—	41.1
Foreign government debt securities	5.3	—	(0.1)	5.2	5.3	—	(0.2)	5.1
Time deposits	282.1	—	—	282.1	273.6	—	—	273.6
U.S. government agency securities	—	—	—	—	4.0	—	—	4.0
U.S. government securities	72.0	—	(0.2)	71.8	54.8	0.1	—	54.9
Total fixed income securities	801.1	0.4	(1.8)	799.7	580.2	1.0	(1.9)	579.3
Privately-held debt and redeemable preferred stock securities	46.0	—	(15.4)	30.6	20.6	37.4	(8.3)	49.7
Total available-for-sale debt securities	$ 847.1	$ 0.4	$ (17.2)	$ 830.3	$ 600.8	$ 38.4	$ (10.2)	$ 629.0
Reported as:								
Cash equivalents	$ 340.2	$ —	$ —	$ 340.2	$ 328.2	$ —	$ —	$ 328.2
Short-term investments	183.1	—	(0.8)	182.3	135.7	—	(1.4)	134.3

The following table presents the contractual maturities of the Company's total fixed income securities as of March 31, 2024 (in millions):

	Amortized Cost	Estimated Fair Value
Due in less than one year	$ 523.3	$ 522.5
Due between one and five years	277.8	277.2
Total	$ 801.1	$ 799.7

As of March 31, 2024, the Company's unrealized loss of $1.8 million resulted from 226 fixed income available-for-sale debt securities, of which losses aggregating $0.7 million were from investments in an unrealized loss position for less than 12 months, and $1.1 million were from investments in an unrealized loss position for more than 12 months. The gross unrealized losses related to these investments were primarily due to changes in market interest rates. The Company anticipates that it will recover the entire amortized cost basis of such available-for-sale debt securities and has determined that no allowance for credit losses was required to be recognized during the three months ended March 31, 2024 and March 31, 2023.

During the three months ended March 31, 2024, the Company recorded an allowance for credit loss of $7.1 million on privately-held debt and redeemable preferred stock investments. The credit loss represents the difference between the estimated fair value and the cost of the investment related to the credit factors. The determination of fair value was based on quantitative and qualitative analysis including factors such as the near-term prospects of the investee in the market in which it operates and an evaluation of the investee's financial condition in relation to its outstanding obligations. As of March 31, 2024 and December 31, 2023, the Company had an allowance for credit loss of $15.4 million and $8.3 million, respectively, on privately-held debt and redeemable preferred stock investments.

During the three months ended March 31, 2024 and March 31, 2023, there were no material gross realized gains or losses from available-for-sale debt securities.

Investments in Equity Securities

The following table presents the Company's investments in equity securities as of March 31, 2024 and December 31, 2023 (in millions):

	As of	
	March 31, 2024	December 31, 2023
Equity investments with readily determinable fair value:		
Money market funds	$ 379.6	$ 337.5
Mutual funds	42.6	38.0
Publicly-traded equity securities	5.6	5.1
Equity investments without readily determinable fair value	45.8	45.8
Equity investment under the equity method of accounting	24.2	26.4
Total equity securities	$ 497.8	$ 452.8
Reported as:		
Cash equivalents	$ 379.6	$ 337.5
Short-term investments	5.6	5.1
Prepaid expenses and other current assets	3.3	2.5
Other long-term assets	109.3	107.7
Total	$ 497.8	$ 452.8

For the three months ended March 31, 2024 and March 31, 2023, there were no material unrealized gains or losses recognized for equity investments with readily determinable fair value or equity investments without readily determinable fair value. For the three months ended March 31, 2024 and March 31, 2023, the loss recognized from the equity method investment was $2.2 million and $2.1 million, respectively.

Restricted Cash and Investments

The Company has restricted cash and investments for: (i) amounts under the Company's non-qualified deferred compensation plan for senior-level employees; (ii) amounts held under the Company's short-term disability plan in California; and (iii) amounts held in escrow accounts, as required in connection with certain acquisitions. Restricted investments consist of equity investments. As of March 31, 2024, the carrying value of restricted cash and investments was $59.2 million, of which $17.5

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

million was included in prepaid expenses and other current assets, and $41.7 million was included in other long-term assets on the Condensed Consolidated Balance Sheets.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash included in the Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023 (in millions):

	As of	
	March 31, 2024	December 31, 2023
Cash and cash equivalents	$ 1,069.8	$ 1,068.1
Restricted cash included in prepaid expenses and other current assets	14.1	13.8
Restricted cash included in other long-term assets	2.4	2.4
Total cash, cash equivalents, and restricted cash	$ 1,086.3	$ 1,084.3

Note 3. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table provides a summary of assets and liabilities measured at fair value on a recurring basis and as reported in the Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023 (in millions):

	Fair Value Measurements at March 31, 2024				Fair Value Measurements at December 31, 2023			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Remaining Inputs (Level 2)	Significant Other Unobservable Remaining Inputs (Level 3)	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Remaining Inputs (Level 2)	Significant Other Unobservable Remaining Inputs (Level 3)	Total
Assets:								
Available-for-sale debt securities:								
Asset-backed and mortgage-backed securities	$ —	$ 98.8	$ —	$ 98.8	$ —	$ 38.0	$ —	$ 38.0
Certificates of deposit	—	16.2	—	16.2	—	3.0	—	3.0
Corporate debt securities	—	233.5	—	233.5	—	159.6	—	159.6
Commercial paper	—	92.1	—	92.1	—	41.1	—	41.1
Foreign government debt securities	—	5.2	—	5.2	—	5.1	—	5.1
Time deposits	—	282.1	—	282.1	—	273.6	—	273.6
U.S. government agency securities	—	—	—	—	—	4.0	—	4.0
U.S. government securities	48.9	22.9	—	71.8	20.0	34.9	—	54.9
Privately-held debt and redeemable preferred stock securities	—	—	30.6	30.6	—	—	49.7	49.7
Total available-for-sale debt securities	48.9	750.8	30.6	830.3	20.0	559.3	49.7	629.0
Equity securities:								
Money market funds	379.6	—	—	379.6	337.5	—	—	337.5
Mutual funds	42.6	—	—	42.6	38.0	—	—	38.0
Publicly-traded equity securities	5.6	—	—	5.6	5.1	—	—	5.1

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

	Fair Value Measurements at March 31, 2024				Fair Value Measurements at December 31, 2023			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Remaining Inputs (Level 2)	Significant Other Unobservable Remaining Inputs (Level 3)	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Remaining Inputs (Level 2)	Significant Other Unobservable Remaining Inputs (Level 3)	Total
Total assets, reported as:								
Cash equivalents	$ 379.6	$ 340.2	$ —	$ 719.8	$ 337.5	$ 328.2	$ —	$ 665.7
Short-term investments	18.3	169.6	—	187.9	12.8	126.6	—	139.4
Long-term investments	36.2	241.0	—	277.2	12.3	104.5	—	116.8
Prepaid expenses and other current assets	3.3	4.0	—	7.3	2.5	4.6	—	7.1
Other long-term assets	39.3	1.6	30.6	71.5	35.5	2.6	49.7	87.8
Total assets measured at fair value	$ 476.7	$ 756.4	$ 30.6	$1,263.7	$ 400.6	$ 566.5	$ 49.7	$1,016.8
Total liabilities, reported as:								
Other accrued liabilities	$ —	$ (8.4)	$ —	$ (8.4)	$ —	$ (6.2)	$ —	$ (6.2)
Other long-term liabilities	—	(85.1)	—	(85.1)	—	(74.6)	—	(74.6)
Total liabilities measured at fair value on a recurring basis	$ —	$ (93.5)	$ —	$ (93.5)	$ —	$ (80.8)	$ —	$ (80.8)

The Company's Level 2 available-for-sale debt securities are priced using quoted market prices for similar instruments or non-binding market prices that are corroborated by observable market data. The Company uses inputs such as actual trade data, benchmark yields, broker/dealer quotes, or alternative pricing sources with reasonable levels of price transparency, which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets. The Company's derivative instruments are classified as Level 2, as they are not actively traded and are valued using pricing models that use observable market inputs. During the three months ended March 31, 2024, the Company had no transfers into or out of Level 3 of the fair value hierarchy of its assets or liabilities measured at fair value.

The Company's privately-held debt and redeemable preferred stock securities are classified as Level 3 assets due to the lack of observable inputs to determine fair value. The Company estimates the fair value of its privately-held debt and redeemable preferred stock securities on a recurring basis using an analysis of the financial condition and near-term prospects of the investee, including recent valuations at the time of financing activities and the investee's capital structure. In January 2024, the Company invested in a convertible note of a privately-held company for a principal amount of $25.0 million with a maturity period of two years. During the three months ended March 31, 2024, the Company recognized a credit loss of $7.1 million on a privately-held debt investment and redeemable preferred stock securities. Refer to Note 2, Cash Equivalents and Investments.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company's investments in equity securities without readily determinable fair value are classified as Level 3 assets due to the lack of observable inputs to determine fair value. The Company estimates the fair value of equity securities without readily determinable fair value, and investments accounted for under the equity method of accounting, on a nonrecurring basis using an analysis of the financial condition and near-term prospects of the investee, including recent financing activities and the investee's capital structure. As of March 31, 2024, downward adjustments for equity securities without readily determinable fair value in the aggregate were $89.9 million. There have been no material upward adjustments to the equity securities without readily determinable fair value.

Certain of the Company's assets, including intangible assets and goodwill, are measured at fair value on a nonrecurring basis. There were no significant impairment charges recognized during the three months ended March 31, 2024.

As of March 31, 2024 and December 31, 2023, the Company had no liabilities required to be measured at fair value on a nonrecurring basis.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Assets and Liabilities Not Measured at Fair Value

The carrying amounts of the Company's accounts receivable, accounts payable, and other accrued liabilities approximate fair value due to their short maturities. As of March 31, 2024 and December 31, 2023, the estimated fair value of the Company's total outstanding debt in the Condensed Consolidated Balance Sheets was $1,567.8 million and $1,581.7 million, respectively, based on observable market inputs (Level 2).

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Derivative Instruments

The Company uses derivative instruments to manage a variety of risks, including risks related to fluctuations in foreign currency exchange rates and interest rates on debt instruments. The Company does not use derivative financial instruments for speculative purposes.

The notional amount of the Company's derivative instruments is summarized as follows (in millions):

	As of	
	March 31, 2024	December 31, 2023
Designated derivatives:		
Cash flow hedges:		
Foreign currency contracts	$ 668.8	$ 801.0
Fair value hedges:		
Interest rate swap contracts	600.0	600.0
Total designated derivatives	1,268.8	1,401.0
Non-designated derivatives	232.4	200.7
Total	$ 1,501.2	$ 1,601.7

The fair value of derivative instruments on the Condensed Consolidated Balance Sheets was as follows:

	Balance Sheet Classification	As of March 31, 2024	As of December 31, 2023
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	Other current assets	$ 3.8	$ 4.4
Foreign currency contracts	Other long-term assets	1.7	2.7
Total derivatives designated as hedging instruments		$ 5.5	$ 7.1
Derivatives not designated as hedging instruments	Other current assets	0.1	0.1
Total derivative assets		$ 5.6	$ 7.2
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	Other accrued liabilities	$ 8.3	$ 6.0
Foreign currency contracts	Other long-term liabilities	1.4	1.0
Interest rate swap contracts	Other long-term liabilities	83.7	73.6
Total derivatives designated as hedging instruments		$ 93.4	$ 80.6
Derivatives not designated as hedging instruments	Other accrued liabilities	0.1	0.2
Total derivative liabilities		$ 93.5	$ 80.8

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Offsetting of Derivative Instruments

The Company presents its derivative instruments at gross fair values in the Condensed Consolidated Balance Sheets. As of March 31, 2024 and December 31, 2023, the potential effects of set-off associated with the derivative contracts would be a reduction to both derivative assets and derivative liabilities by $5.6 million and $7.2 million, respectively.

Designated Derivatives

The Company uses foreign currency forward contracts or options contracts to hedge the Company's planned cost of revenues and operating expenses denominated in foreign currencies. These derivatives are designated as cash flow hedges and typically have maturities of thirty-six months or less.

The Company enters into interest rate swap contracts, designated as fair value hedges, to convert the fixed interest rates of certain Senior Notes ("Notes") to floating interest rates. In April 2021, the Company entered into these contracts for an aggregate notional amount of $300.0 million for its fixed-rate Notes maturing in December 2030 in addition to the contracts entered in 2019 for an aggregate notional amount of $300.0 million for its fixed-rate Notes maturing in March 2041. The interest rate swap contracts will expire within seven years.

In 2020, the Company entered into interest rate lock contracts with large financial institutions, which fix the benchmark interest rates of future debt issuances for an aggregate notional amount of $650.0 million. These contracts were designated as cash flow hedges for a forecasted debt issuance, which was expected to occur by the end of 2025. During the year ended December 31, 2023, the Company terminated the interest rate lock contracts, resulting in a deferred gain of $133.9 million recognized in accumulated other comprehensive income, which will be deferred and amortized to interest expense over the term of the anticipated debt unless it becomes probable that the debt will not be issued with the terms anticipated at the hedge's inception. The Company classifies the cash flow in the same section as the underlying item resulting in the proceeds from sale being presented as operating activities.

Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations

For cash flow hedges, the Company recognized an unrealized loss of $5.5 million and $9.9 million in accumulated other comprehensive income for the effective portion of its derivative instruments for the three months ended March 31, 2024 and March 31, 2023, respectively.

For foreign currency contracts, the Company reclassified a loss of $1.1 million and $7.8 million out of accumulated other comprehensive income to cost of revenues and operating expenses in the Condensed Consolidated Statements of Operations during the three months ended March 31, 2024 and March 31, 2023, respectively. As of March 31, 2024, an estimated

$4.5 million of unrealized net loss within accumulated other comprehensive income is expected to be reclassified into earnings within the next twelve months.

Non-Designated Derivatives

The Company also uses foreign currency forward contracts to mitigate variability in gains and losses generated from the remeasurement of certain monetary assets and liabilities denominated in foreign currencies. These foreign exchange forward contracts typically have maturities of approximately one to four months. The outstanding non-designated derivative instruments are carried at fair value. Changes in the fair value of these derivatives, which were recorded in Other expense, net within the Condensed Consolidated Statements of Operations, were not material during the three months ended March 31, 2024 and March 31, 2023.

Note 5. Other Financial Information

Total Inventory

Total inventory consisted of the following (in millions):

	As of	
	March 31, 2024	December 31, 2023
Production and service materials	$ 764.2	$ 719.0
Finished goods	271.9	299.0
Total inventory	$ 1,036.1	$ 1,018.0
Reported as:		
Inventory	$ 958.2	$ 952.4
Other long-term assets [(1)]	77.9	65.6
Total inventory	$ 1,036.1	$ 1,018.0

[(1)] Long-term inventory balance classified as other long-term assets in the Company's Condensed Consolidated Balance Sheets consists of last time buy component inventory to be consumed beyond the Company's normal operating cycle.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in millions):

	As of	
	March 31, 2024	December 31, 2023
Contract manufacturer deposits	$ 234.0	$ 316.4
Prepaid expenses	149.9	140.9
Other current assets	126.2	134.2
Total prepaid expenses and other current assets	$ 510.1	$ 591.5

During the three months ended March 31, 2024, the Company recorded an allowance for credit loss of $7.7 million on note receivables due from a privately-held investee. The credit loss represents the difference between the net amount expected to be collected and the amortized cost of the note receivable.

Warranties

Changes during the three months ended March 31, 2024 in the Company’s warranty reserve as reported within other accrued liabilities in the Condensed Consolidated Balance Sheets were as follows (in millions):

Balance as of December 31, 2023	$	29.4
Provisions made during the period		12.8
Actual costs incurred during the period		(11.6)
Balance as of March 31, 2024	$	30.6

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Deferred Revenue

Details of the Company's deferred revenue, as reported in the Condensed Consolidated Balance Sheets, were as follows (in millions):

	As of	
	March 31, 2024	December 31, 2023
Deferred product revenue, net	$ 104.7	$ 92.1
Deferred service revenue, net	2,020.2	1,932.8
Total	$ 2,124.9	$ 2,024.9
Reported as:		
Current	$ 1,205.5	$ 1,130.0
Long-term	919.4	894.9
Total	$ 2,124.9	$ 2,024.9

Revenue

See Note 10, Segments, for disaggregated revenue by customer solution, customer vertical, and geographic region.

Product revenue of $17.2 million included in deferred revenue at January 1, 2024 were recognized during the three months ended March 31, 2024. Service revenue of $345.5 million included in deferred revenue at January 1, 2024 were recognized during the three months ended March 31, 2024.

Remaining Performance Obligations

Remaining Performance Obligations ("RPO") are comprised mainly of deferred product and service revenue, and to a lesser extent, unbilled service revenue from non-cancellable contracts for which the Company has not invoiced and has an obligation to perform, and for which revenue has not yet been recognized in the financial statements.

The following table summarizes the breakdown of RPO[1] as of March 31, 2024 and when the Company expects to recognize the amounts as revenue (in millions):

	Revenue Recognition Expected by Period			
	Total	Less than 1 year	1-3 years	More than 3 years
Product	$ 105.3	$ 90.7	$ 12.3	$ 2.3
Service	2,032.3	1,121.0	696.1	215.2
Total	$ 2,137.6	$ 1,211.7	$ 708.4	$ 217.5

[1] The Company's RPO does not include backlog. Backlog consists of purchase orders for product primarily expected to be shipped to the Company's distributors, resellers, or end customers within the next 90 days. The following amounts are not included in the Company's backlog: (1) deferred revenue, (2) unbilled contract revenue, (3) all service obligations, including software as a service (SaaS), and (4) certain future revenue adjustments for items such as sales return reserves and early payment discounts.

Deferred Contract Cost

The Company capitalizes direct and incremental costs incurred to acquire contracts, primarily sales commissions, for which the associated revenue is expected to be recognized in future periods. The Company incurs these costs in connection with both initial contracts and renewals. These costs are initially deferred, recorded as prepaid expenses and other current assets or other long-term assets, and are amortized over a period of benefit, which is typically over the term of the customer contracts or when product is delivered and revenue recognized. Commission expense is included in sales and marketing expenses in the accompanying Condensed Consolidated Statements of Operations.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Deferred contract cost was $42.9 million as of March 31, 2024. For the three months ended March 31, 2024, amortization expense associated with the deferred commissions was $18.2 million, and there were no impairment charges recognized.

Other Income (Expense), Net

Other income (expense), net, consisted of the following (in millions):

	Three Months Ended March 31,	
	2024	2023
Interest income	$ 16.9	$ 9.5
Interest expense	(20.5)	(19.2)
Gain on other investments, net [1]	3.4	0.7
Other	2.3	0.2
Other income (expense), net	$ 2.1	$ (8.8)

[1] Other investments represent fixed income securities and equity investments with readily determinable fair value. The prior period amounts have been reclassified to conform to the current period presentation.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Restructuring Charges

During the third quarter of 2023, the Company initiated the 2023 Transformation Plan to realign the organization and enable investments in long-term growth opportunities. As of March 31, 2024, actions taken under this plan have been substantially completed.

The following table presents changes in the restructuring liabilities (in millions) for the three months ended March 31, 2024:

	Three Months Ended March 31, 2024			
	Employee severance	Facility exit-related and asset impairments	Contract terminations and other	Total
Liability as of December 31, 2023	$ 30.0	$ 0.4	$ 3.2	$ 33.6
Charges	2.3	1.7	0.1	4.1
Cash payments	(16.5)	(0.1)	(3.1)	(19.7)
Non-cash items	(0.1)	(1.7)	—	(1.8)
Liability as of March 31, 2024	$ 15.7	$ 0.3	$ 0.2	$ 16.2

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Note 7. Debt

Debt

The following table summarizes the Company's total debt (in millions, except percentages):

	Maturity Date	Effective Interest Rates	As of March 31, 2024	As of December 31, 2023
Senior Notes:				
1.200% fixed-rate notes	December 2025	1.37 %	$ 400.0	$ 400.0
3.750% fixed-rate notes	August 2029	3.86 %	500.0	500.0
2.000% fixed-rate notes	December 2030	2.12 %	400.0	400.0
5.950% fixed-rate notes	March 2041	6.03 %	400.0	400.0
Total Notes			1,700.0	1,700.0
Unaccreted discount and debt issuance costs			(9.2)	(9.6)
Hedge accounting fair value adjustments[*]			(83.7)	(73.6)
Total			$ 1,607.1	$ 1,616.8

[*] Represents the fair value adjustments for interest rate swap contracts with an aggregate notional amount of $600.0 million. These contracts convert the fixed interest rates of certain Notes to floating interest rates and are designated as fair value hedges. See Note 4, Derivative Instruments, for a discussion of the Company's interest rate swap contracts.

The Notes above are the Company’s senior unsecured and unsubordinated obligations, ranking equally in right of payment to all of the Company’s existing and future senior unsecured and unsubordinated indebtedness, and senior in right of payment to any of the Company’s future indebtedness that is expressly subordinated to the Notes.

The Company may redeem the Notes, either in whole or in part, at any time, at a redemption price equal to the greater of (i) 100% of the aggregate principal amount of the Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments discounted to the redemption date, plus, in either case, accrued and unpaid interest, if any. Upon both a change-of-control and a rating event, the holders of the Notes may require the Company to repurchase for cash all or part of the Notes at a purchase price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest, if any. The terms of the

Merger Agreement restrict the Company from redeeming any indebtedness that has a make whole amount, prepayment penalty, or similar obligation, including the Notes, without HPE’s approval.

Interest on the Notes is payable in cash semiannually. The effective interest rates for the Notes include the interest on the Notes, accretion of the discount, and amortization of issuance costs. The indenture and the supplemental indentures (together, the "indentures") that govern the Notes also contain various covenants, including limitations on the Company's ability to incur liens or enter into sale-leaseback transactions over certain dollar thresholds.

As of March 31, 2024, the Company was in compliance with all covenants in the indentures governing the Notes.

Revolving Credit Facility

The Company maintains an unsecured revolving credit facility that was entered into in June 2023, with an aggregate lending commitment of $500.0 million and an option to increase the facility by up to an additional $200.0 million for a period of five years with two one-year extension options. As of March 31, 2024, there were no amounts outstanding, and the Company was in compliance with all covenants in the credit agreement.

Under the terms of the Merger Agreement, the Company is required to terminate the Revolving Credit Facility upon the closing of the Merger.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 8. Equity

The following table summarizes dividends paid and stock repurchases under the Company's stock repurchase program (in millions, except per share amounts):

	Three Months Ended March 31,	
	2024	2023
Dividends:		
Per share	$ 0.22	$ 0.22
Amount	$ 71.4	$ 70.6
Repurchased under the 2018 Stock Repurchase Program:		
Shares	—	4.5
Average price per share	$ —	$ 31.20
Amount	$ —	$ 140.0

Cash Dividends on Shares of Common Stock

During the three months ended March 31, 2024, the Company declared and paid a quarterly cash dividend of $0.22 per common share, totaling $71.4 million, on its outstanding common stock. Any future dividends, and the establishment of record and payment dates, are subject to approval by the Board of Directors of Juniper or an authorized committee thereof. See Note 14, Subsequent Events, for discussion of the Company's dividend declaration subsequent to March 31, 2024.

Stock Repurchase Activities

As of March 31, 2024, there was approximately $0.2 billion of authorized funds remaining under the 2018 Stock Repurchase Program. In connection with its entry into the Merger Agreement, the Company is required to suspend its stock repurchase program and did not repurchase its common stock during the three months ended March 31, 2024.

In addition to repurchases under the 2018 Stock Repurchase Program, the Company also withholds shares of common stock from certain employees in connection with the vesting of stock awards issued to such employees to satisfy applicable tax withholding requirements. Such withheld shares are treated as common stock repurchases in the Company's financial statements as they reduce the number of shares that would have been issued upon vesting. During the three months ended March 31, 2024 and March 31, 2023, repurchases associated with tax withholdings were $14.6 million and $11.4 million, respectively.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Accumulated Other Comprehensive Income, Net of Tax

The components of accumulated other comprehensive income, net of related taxes, for the three months ended March 31, 2024 were as follows (in millions):

	Unrealized Gains/Losses on Available-for-Sale Debt Securities	Unrealized Gains/Losses on Cash Flow Hedges	Foreign Currency Translation Adjustments	Total
Balance as of December 31, 2023	$ 28.9	$ 102.3	$ (82.1)	$ 49.1
Other comprehensive loss before reclassifications	(29.0)	(5.4)	(3.7)	(38.1)
Amount reclassified from accumulated other comprehensive income	(0.1)	1.2	—	1.1
Other comprehensive loss, net	(29.1)	(4.2)	(3.7)	(37.0)
Balance as of March 31, 2024	$ (0.2)	$ 98.1	$ (85.8)	$ 12.1

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 9. Employee Benefit Plans

Equity Incentive Plans

The Company has stock-based compensation plans pursuant to which it has granted stock options, restricted stock units ("RSUs"), and performance share awards ("PSAs"). The Company also maintains its 2008 Employee Stock Purchase Plan (the "ESPP") for all eligible employees. As of March 31, 2024, 0.4 million and 2.3 million shares were available for future issuance under the Company's 2015 Equity Incentive Plan and the ESPP, respectively. In connection with past acquisitions, the Company has also assumed or substituted stock options, RSUs, restricted stock awards ("RSAs"), and PSAs.

After signing the Merger Agreement, the Company has suspended the following aspects of the Company's ESPP: (1) commencing a new offering period, (2) permitting new participants, and (3) any increase in the amount of payroll deductions.

RSU, RSA, and PSA Activities

The Company's RSU, RSA, and PSA activities and related information as of and for the three months ended March 31, 2024 were as follows (in millions, except per share amounts and years):

	Outstanding RSUs, RSAs, and PSAs			
	Number of Shares	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance as of December 31, 2023	20.2	$ 28.10		
Granted[(*)]	3.0	35.19		
Vested	(3.6)	26.24		
Canceled	(1.2)	27.28		
Balance as of March 31, 2024	18.4	$ 29.67	1.2	$ 681.7

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[(*)] Includes 1.2 million service-based and 1.8 million performance-based awards. The number of shares subject to performance-based conditions represents the aggregate maximum number of shares that may be issued pursuant to the award over its full term. The grant date fair value of RSUs and PSAs was reduced by the present value of dividends expected to be paid on the underlying shares of common stock during the requisite and derived service period as these awards are not entitled to receive dividends until vested.

Employee Stock Purchase Plan

The following table summarizes employee stock purchases through the ESPP (in millions, except per share amounts):

	Three Months Ended March 31,	
	2024	2023
Shares purchased	1.3	1.3
Average exercise price per share	$ 23.81	$ 23.44

Share-Based Compensation Expense

Share-based compensation expense associated with stock options, RSUs, RSAs, PSAs, and ESPP purchase rights was recorded in the following cost and expense categories in the Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended March 31,	
	2024	2023
Cost of revenues - Product	$ 1.8	$ 1.7
Cost of revenues - Service	5.5	4.7
Research and development	38.5	25.7
Sales and marketing	24.1	18.6
General and administrative	10.0	10.2
Total	$ 79.9	$ 60.9

The following table summarizes share-based compensation expense by award type (in millions):

	Three Months Ended March 31,	
	2024	2023
Stock options	$ 0.3	$ 0.8
RSUs, RSAs, and PSAs	72.9	53.0
ESPP purchase rights	6.7	7.1
Total	$ 79.9	$ 60.9

As of March 31, 2024, the total unrecognized compensation cost related to unvested share-based awards was $369.8 million to be recognized over a weighted-average period of 1.83 years.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Segments

The Company operates in one reportable segment. The Company's Chief Executive Officer, who is the chief operating decision maker, reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance, accompanied by disaggregated information about net revenues by customer solution, customer vertical, and geographic region as presented below.

The following table presents net revenues by customer solution (in millions):

	Three Months Ended March 31,	
	2024	**2023**
Customer Solutions[*]:		
Wide Area Networking	$ 350.4	$ 474.5
Data Center	163.1	193.6
Campus and Branch	240.5	317.0
Hardware Maintenance and Professional Services	394.9	386.7
Total	$ 1,148.9	$ 1,371.8

[*] Effective as of the first quarter of 2024, our customer solution revenue categories include the following name changes, and historical revenue by customer solution was not impacted by the name change: 1) Automated WAN Solutions changes to Wide Area Networking, 2) Cloud-Ready Data Center changes to Data Center, and 3) AI-Driven Enterprise changes to Campus and Branch.

The following table presents net revenues by customer vertical (in millions):

	Three Months Ended March 31,	
	2024	**2023**
Cloud	$ 250.0	$ 264.9
Service Provider	381.9	549.9
Enterprise	517.0	557.0
Total	$ 1,148.9	$ 1,371.8

The Company attributes revenues to a geographic region based on the customer’s shipping address. The following table presents net revenues by geographic region (in millions):

	Three Months Ended March 31,	
	2024	2023
Americas:		
United States	$ 609.4	$ 733.6
Other	56.1	64.9
Total Americas	665.5	798.5
Europe, Middle East, and Africa	311.1	369.9
Asia Pacific	172.3	203.4
Total	$ 1,148.9	$ 1,371.8

For the three months ended March 31, 2024 and March 31, 2023, no customer accounted for more than 10% of total net revenues.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 11. Income Taxes

The following table provides details of income taxes (in millions, except percentages):

	Three Months Ended March 31,	
	2024	2023
Income (loss) before income taxes	$ (26.4)	$ 107.1
Income tax (benefit) provision	$ (27.7)	$ 19.6
Effective tax rate	105.0 %	18.3 %

The Company’s effective tax rate differs from the federal statutory rate of 21% primarily due to the tax impact of state taxes, geographic mix of earnings including foreign-derived intangible income deductions and the capitalization of research and development ("R&D") expenditures, R&D and foreign tax credits, tax audit settlements, non-deductible compensation, cost sharing of stock-based compensation, and other transfer pricing adjustments.

The Company’s effective tax rate for the three months ended March 31, 2024 includes $19.0 million of one-time benefits from tax settlements related to the geographic mix of earnings.

The Company’s effective tax rate for the three months ended March 31, 2023 includes the net effect of one-time benefits.

As of March 31, 2024, deferred tax assets increased $35.2 million to $676.1 million from $640.9 million at December 31, 2023. Deferred income taxes are classified as other long-term assets in the Company's Condensed Consolidated Balance Sheets.

As of March 31, 2024, the total amount of gross unrecognized tax benefits was $110.9 million. Primarily due to the completion of tax review cycles, the amount decreased by $21.9 million compared to $132.8 million at December 31, 2023.

The Company engages in continuous discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. There is a greater than remote likelihood that the balance of the gross unrecognized tax benefits will decrease by up to $43.1 million within the next twelve months due to the completion of tax review cycles in various tax jurisdictions and lapses of applicable statutes of limitation.

The Company's examination by the IRS for the 2017 through 2018 tax years closed in February 2024. The closure did not have a significant impact to the income tax provision and the Company is not currently under examination by the IRS for other tax years. The Company is under examination by the India tax authorities for the 2012 through 2020 tax years.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 12. Net (Loss) Income per Share

The Company computed basic and diluted net income per share as follows (in millions, except per share amounts):

	Three Months Ended March 31,	
	2024	**2023**
Numerator:		
Net (loss) income	$ (0.8)	$ 85.4
Denominator:		
Weighted-average shares used to compute basic net (loss) income per share	322.6	322.3
Dilutive effect of employee stock awards	—	6.8
Weighted-average shares used to compute diluted net (loss) income per share	322.6	329.1
Net (loss) income per share:		
Basic	$ (0.00)	$ 0.26
Diluted	$ (0.00)	$ 0.26
Anti-dilutive shares	0.1	2.9

Note 13. Commitments and Contingencies

Commitments

Except for the items below, there have been no material changes to the Company's commitments compared to the commitments described in Note 14, Commitments and Contingencies, in Notes to Consolidated Financial Statements in Item 8 of Part II of the Form 10-K.

Purchase Commitments with Contract Manufacturers and Suppliers

In order to reduce manufacturing lead times and in the interest of having access to adequate component supply, the Company enters into agreements with contract manufacturers and certain suppliers to procure inventory based on the Company's requirements. A significant portion of the Company's purchase commitments arising from these agreements consists of firm and non-cancellable commitments. In certain instances, these agreements allow the Company the option to cancel, reschedule, and adjust its requirements based on the Company's business needs prior to firm orders being placed. These purchase commitments totaled $1,140.0 million as of March 31, 2024.

HPE Merger Contingencies

In connection with the pending Merger, the Company expects to incur additional liabilities of approximately $151.8 million that are subject to the consummation of the Merger. These contingent liabilities include financial advisory fees and certain retention bonuses.

Legal Proceedings

In the ordinary course of business, the Company is subject to various pending and potential investigations, disputes, litigations, and legal proceedings. The Company records an accrual for loss contingencies for legal proceedings when it believes that an unfavorable outcome is both (a) probable and (b) the amount or range of any possible loss is reasonably estimable. The Company intends to aggressively defend itself in any legal matters, and while the outcome of any pending matters is not currently determinable, the Company believes that none of its currently existing claims or proceedings are likely, individually or in the aggregate, to have a material adverse effect on its financial position. Notwithstanding the foregoing, there are many uncertainties associated with any litigation and these matters or any other third-party claims against the Company may cause the Company to incur costly litigation and/or substantial settlement charges. In addition, the resolution of any intellectual property litigation may require the Company to make royalty payments, which could adversely affect gross margins in future periods. If any of these events were to occur, the Company's business, financial condition, results of operations, and cash flows could be adversely affected. The actual liability in any such matters may be materially different from the Company's estimates, if any, which could result in the need to adjust the liability and record additional expenses.

Tax Liability

Our transition tax liability represents future cash payments on accumulated foreign earnings of subsidiaries as a result of the Tax Cuts and Jobs Act of 2017 ("Tax Act"). The Company has elected to pay its transition tax, net of applicable tax refunds, over the eight-year period provided in the Tax Act. The remaining balance of the Company's transition tax obligation was $187.1 million, of which $102.6 million remains in long-term income taxes payable as of March 31, 2024.

As of March 31, 2024, the Company also had $70.7 million included in long-term income taxes payable on the Condensed Consolidated Balance Sheets for unrecognized tax positions. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments related to this amount due to uncertainties in the timing of tax audit outcomes.

Juniper Networks, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 14. Subsequent Events

Dividend Declaration

On April 25, 2024, the Company announced a cash dividend of $0.22 per share of common stock to be paid on June 24, 2024 to stockholders of record as of the close of business on June 3, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q, which we refer to as the Report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future events and the future results of Juniper Networks, Inc., which we refer to as "Juniper Networks," "Juniper," "we," "us," or the "Company," that are based on our current expectations, estimates, forecasts, and projections about our business, our results of operations, the industry in which we operate, our economic and market outlook, and the beliefs and assumptions of our management. These forward-looking statements include, but are not limited to, statements concerning our proposed acquisition by Hewlett Packard Enterprise Company ("HPE") pursuant to an Agreement and Plan of Merger, dated as of January 9, 2024 (the "Merger Agreement"), by and among Juniper, HPE, and Jasmine Acquisition Sub, Inc., a wholly owned subsidiary of HPE ("Merger Sub"), pursuant to which Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of HPE, including our expectations regarding the timing and completion of the proposed acquisition as well as general business uncertainty relating to the proposed acquisition and the anticipated benefits of the proposed acquisition. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements. Words such as "expects," "anticipates," "targets," "goals," "projects," "would," "will," "could," "may," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, and these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including the impact of current worldwide economic uncertainty, inflation, monetary policy shifts, recession risks, and other disruptions due to geopolitical conditions and global health emergencies, continuing supply chain challenges, and our ability to successfully manage the associated demand, supply, and operational impacts, such as excess inventory, as well as our expectations regarding backlog, customer and product mix, changes in overall technology spending by our customers, the timing of orders and their fulfillment, business and economic conditions in the networking industry, our overall future prospects, and the outcome of any legal proceedings that may be instituted against us related to the Merger Agreement, including related disclosures, or the transactions contemplated thereby. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Report under the section entitled "Risk Factors" in Item 1A of Part II and elsewhere, and in other reports we file with the U.S. Securities and Exchange Commission, or the SEC. In addition, many of the foregoing risks and uncertainties are, and could be, exacerbated by any worsening of the global business, financial, political, and economic environments. While forward-looking statements are based on reasonable expectations of our management at the time that they are made, you should not rely on them. We undertake no obligation to revise or update publicly any forward-looking statements for any reason, except as required by applicable law.

The following discussion is based upon our unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, of this Report. We intend the discussion of our financial condition and results of operations to provide information that will assist the reader in understanding our Condensed Consolidated Financial Statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting estimates affect our Condensed Consolidated Financial Statements. To aid in understanding our operating results for the periods covered by this Report, we have provided an executive overview, which includes a summary of our business and market environment along with a financial results and key performance metrics overview and a discussion of material events and uncertainties known to management. These sections should be read in conjunction with the more detailed discussion and analysis of our condensed consolidated financial condition and results of operations in this Item 2, our “Risk Factors” section included in Item 1A of Part II of this Report, and our unaudited Condensed Consolidated Financial Statements and Notes included in Item 1 of Part I of this Report, as well as our audited Consolidated Financial Statements and Notes included in Item 8 of Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, or Form 10-K.

Business and Market Environment

Juniper Networks designs, develops, and sells products and services for high-performance networks to enable customers to build scalable, reliable, secure, and cost-effective networks for their businesses, while achieving agility and improved operating efficiency through automation. We sell our solutions in more than 150 countries in three geographic regions: Americas; Europe, Middle East, and Africa, which we refer to as EMEA; and Asia Pacific, which we refer to as APAC. We organize and manage our business by major functional departments on a consolidated basis as one operating segment.

Our true north is experience-first networking to help our customers achieve their business outcomes. We sell high-performance networking product offerings within the following customer solution categories[1]: Campus and Branch, Data Center, and Wide Area Networking, and our connected security products are sold in each category.

- Campus and Branch encompasses client-to-cloud portfolio, cloud-delivered campus wired and wireless solutions of Mist and EX switches, and our SD-WAN portfolio, which includes Session Smart Router, Branch SRX and Network Access Control solutions.

- Data Center includes QFX product line, Apstra and Contrail product lines, along with our high-end security portfolio of SRX, targeting data center security for service provider, cloud, and enterprise.

- Wide Area Networking includes MX and PTX product lines, and the ACX product line targeting the Metro market. It also includes Paragon Active Assurance, formerly known as Netrounds, which is now part of Paragon Automation, our WAN Automation suite.

In addition to our product offerings, we offer software-as-a-service ("SaaS"), software subscriptions, and other customer services, including maintenance and support, professional services, and education and training programs.

Our products and services address high-performance network requirements for our customers within our verticals: Cloud, Service Provider, and Enterprise who view the network as critical to their success. We believe our silicon, systems, and software represent innovations that transform the economics and experience of networking, helping our customers achieve superior performance, greater choice, and flexibility, while reducing overall total cost of ownership. We are executing against our innovation roadmap as each of our industry verticals transitions to cloud architectures. We focus on compelling and differentiated use cases targeting the Campus and Branch, Data Center, and Wide Area Networking solution categories. We believe our understanding of high-performance networking technology and cloud architecture positions us to effectively capitalize on the industry transition to more automated, cost-efficient, and scalable networks.

HPE Merger Agreement

On January 9, 2024, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among the Company, Hewlett Packard Enterprise Company, a Delaware corporation (“HPE”), and Jasmine Acquisition Sub, Inc., a Delaware corporation and wholly owned subsidiary of HPE (“Merger Sub”), pursuant to which Merger Sub will merge with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly owned subsidiary of HPE. Under the terms of the Merger Agreement, at the effective time of the Merger, each issued and outstanding share of our common stock (subject to certain exceptions set forth in the Merger Agreement) will be canceled and converted into the right to receive $40.00 in cash, without interest and subject to applicable withholding taxes.

The Merger Agreement generally requires us to use commercially reasonable efforts to operate our business in the ordinary course, subject to certain exceptions including as required by applicable law, pending consummation of the Merger, and subjects the Company to customary interim operating covenants that restrict us from taking certain specified actions without HPE's approval (such approval not to be unreasonably withheld, conditioned, or delayed) until the Merger is completed or the Merger Agreement is terminated in accordance with its terms. During this period, we are permitted to continue paying regular quarterly dividends, substantially in accordance with past practice, at a quarterly rate not to exceed $0.22 per share.

The completion of the Merger, which is currently expected to close in late calendar year 2024 or early calendar year 2025, is subject to the receipt of regulatory approvals and other customary closing conditions. On April 2, 2024, we received stockholder approval of the Merger Agreement. If the Merger is consummated, our common stock will be delisted from the New York Stock Exchange and deregistered under the Securities Exchange Act of 1934 (the "Exchange Act").

The Merger Agreement can be terminated under certain customary circumstances, including by mutual agreement, the imposition of a final and non-appealable governmental order that permanently enjoins or otherwise prohibits the Merger, an uncured breach of the Merger Agreement by the other party, or if the Merger has not been consummated by January 9, 2025, as may be automatically extended pursuant to the terms of the Merger Agreement. Under certain specified circumstances in which the Merger Agreement is terminated, we are required to pay HPE a termination fee equal to $407.5 million, and under certain

[1] Effective as of the first quarter of 2024, our customer solution revenue categories include the following name changes, and historical revenue by customer solution was not impacted by the name change: 1) Automated WAN Solutions changes to Wide Area Networking, 2) Cloud-Ready Data Center changes to Data Center, and 3) AI-Driven Enterprise changes to Campus and Branch.

other specified circumstances in which the Merger Agreement is terminated, HPE is required to pay us a termination fee equal to $815.0 million.

In connection with the pending Merger, we expect to incur additional liabilities of approximately $151.8 million consisting of financial advisory fees and certain retention bonuses, that are contingent on the consummation of the Merger.

See the section entitled “Risk Factors” in Item 1A of Part II of this Report for further discussion about the risks related to the Merger.

Global Supply and Demand Update

Global economic and business activities continue to face widespread macroeconomic uncertainties, including inflation, monetary policy shifts, recession risks, and turmoil in the geopolitical environment, including the Russia-Ukraine conflict, the political and economic tensions between China and Taiwan, and Middle East conflicts, including the Israel-Hamas war, tensions in the Red Sea in connection with the attacks by the Houthis to disrupt shipments, and military actions in response to these disruptions. Our overall performance depends in-part on global economic conditions, as well as other disruptions and the impacts of such conditions on our customers.

We have a global supply chain, which is primarily composed of manufacturing partners, component suppliers, and third-party logistics partners. In prior periods, certain customers placed advanced product orders in an effort to secure supply. In 2024, we expect to see elongated sales cycles because many customers are working through prior orders and moderating their spending, which will impact our revenue growth.

In prior years, we purchased additional inventory to meet customer demands and to mitigate supply constraints. As customers adopted a more conservative approach to spending, our mitigating actions resulted in increased inventory levels, and we increased inventory obsolescence charges in 2023. We expect inventory levels and excess and obsolescence charges to decline during 2024.

Management continues to actively monitor the impact of macroeconomic factors on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce. The extent of the impact on our operations and financial performance, our ability to execute our business strategies, and initiatives in the expected time frame, will depend on the impact of macroeconomic factors on our customers, partners, employees, contract manufacturers and supply chain. See the section entitled “Risk Factors” in Item 1A of Part II of this Report for further discussion.

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Financial Results and Key Performance Metrics Overview

The following table provides an overview of our financial results and key financial metrics (in millions, except per share amounts, percentages, and days sales outstanding, or DSO):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Net revenues	$ 1,148.9	$ 1,371.8	$ (222.9)	(16)%
Gross margin	$ 680.9	$ 771.2	$ (90.3)	(12)%
Percentage of net revenues	59.3 %	56.2 %		
Operating (loss) income	$ (14.2)	$ 115.7	$ (129.9)	(112)%
Percentage of net revenues	(1.2)%	8.4 %		
Net (loss) income	$ (0.8)	$ 85.4	$ (86.2)	(101)%
Percentage of net revenues	(0.1)%	6.2 %		
Net income per share:				
Basic	$ (0.00)	$ 0.26	$ (0.26)	(100)%
Diluted	$ (0.00)	$ 0.26	$ (0.26)	(100)%
Operating cash flows	$ 325.0	$ 191.5	$ 133.5	70 %
Stock repurchase plan activity	$ —	$ 140.0	$ (140.0)	(100)%
Cash dividends declared per common stock	$ 0.22	$ 0.22	$ —	— %
Annual Recurring Revenue ("ARR")	$ 394.0	$ 292.7	$ 101.3	35 %
DSO	64	70	(6)	(9)%

	As of			
	March 31, 2024	December 31, 2023	$ Change	% Change
Deferred revenue:				
Deferred product revenue	$ 104.7	$ 92.1	$ 12.6	14 %
Deferred service revenue	2,020.2	1,932.8	87.4	5 %
Total	$ 2,124.9	$ 2,024.9	$ 100.0	5 %
Deferred revenue from customer solutions(*)	$ 889.6	$ 843.4	$ 46.2	5 %
Deferred revenue from hardware maintenance and professional services	1,235.3	1,181.5	53.8	5 %
Total	$ 2,124.9	$ 2,024.9	$ 100.0	5 %

N/M - Not meaningful

(*) Includes deferred revenue from hardware solutions, software licenses, software support and maintenance, and SaaS offerings sold in our Campus and Branch, Data Center, and Wide Area Networking customer solution categories.

- Net Revenues: Net revenues decreased during the three months ended March 31, 2024, compared to the same period in 2023, across all customer solutions, verticals, and geographies, mainly due to lower sales volume. Service net revenues increased during the three months ended March 31, 2024, compared to the same period in 2023, primarily driven by strong sales of hardware support contracts and SaaS.

  Of our top ten customers for the first quarter of 2024, five were in Service Provider, four were in Cloud, and one was in Enterprise. Of these customers, three were located outside of the U.S.

- Gross Margin: Gross margin as a percentage of net revenues increased primarily due to favorable software revenue mix, improved services margin, and lower inventory related expenses, partially offset by unfavorable product mix and lower revenue.

- Operating Margin: Operating income (loss) as a percentage of net revenues decreased during the three months ended March 31, 2024, compared to the same period in 2023, primarily due to merger-related charges incurred in connection with our pending acquisition by HPE, headcount-related costs, and restructuring charges, partially offset by the drivers described in the gross margin discussion above.

- Operating Cash Flows: Net cash provided by operations increased primarily due to lower supplier payments, partially offset by lower customer collections and higher employee compensation payments.

- Capital Return: We continue to return capital to our stockholders. During the three months ended March 31, 2024, we paid a quarterly dividend of $0.22 per share, for an aggregate amount of $71.4 million.

- ARR: ARR represents annual recurring revenue from renewable contracts with customers for software licenses, software support and maintenance, and SaaS expected to be recognized over an annual period of time. ARR includes the implied annualized billing value of contracts that are active as of the end of the periods presented. ARR excludes (i) software licenses recognized as revenue at a point in time and (ii) revenue included in bundled hardware maintenance stock-keeping units that is allocable to software-related maintenance. ARR increased during the three months ended March 31, 2024, compared to the same period in 2023, primarily driven by strong sales of SaaS subscriptions.

- DSO: DSO is calculated as the ratio of ending accounts receivable, net of allowances, divided by average daily net revenues for the preceding 90 days. DSO decreased primarily due to lower product invoicing, partially offset by lower revenue.

- Deferred Revenue: Total deferred revenue increased as of March 31, 2024, compared to December 31, 2023, primarily driven by the timing of contract renewals and an increase in deferrals of SaaS subscriptions and software and related services.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and the accompanying notes. On an ongoing basis, we evaluate our estimates and assumptions. These estimates and assumptions are based on current facts, historical experience, and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

During the three months ended March 31, 2024, there were no material changes to our critical accounting estimates as compared to the critical accounting estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Form 10-K.

Results of Operations

Revenues

The following table presents net revenues by customer solution, customer vertical, and geographic region (in millions, except percentages):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Customer Solutions:				
Wide Area Networking	$ 350.4	$ 474.5	$ (124.1)	(26)%
Percentage of net revenues	30.5 %	34.6 %		
Data Center	163.1	193.6	(30.5)	(16)%
Percentage of net revenues	14.2 %	14.1 %		
Campus and Branch	240.5	317.0	(76.5)	(24)%
Percentage of net revenues	20.9 %	23.1 %		
Hardware Maintenance and Professional Services	394.9	386.7	8.2	2 %
Percentage of net revenues	34.4 %	28.2 %		
Total net revenues	$ 1,148.9	$ 1,371.8	$ (222.9)	(16)%
Cloud	$ 250.0	$ 264.9	$ (14.9)	(6)%
Percentage of net revenues	21.8 %	19.3 %		
Service Provider	381.9	549.9	(168.0)	(31)%
Percentage of net revenues	33.2 %	40.1 %		
Enterprise	517.0	557.0	(40.0)	(7)%
Percentage of net revenues	45.0 %	40.6 %		
Total net revenues	$ 1,148.9	$ 1,371.8	$ (222.9)	(16)%
Americas:				
United States	$ 609.4	$ 733.6	$ (124.2)	(17)%
Other	56.1	64.9	(8.8)	(14)%
Total Americas	665.5	798.5	(133.0)	(17)%
Percentage of net revenues	57.9 %	58.2 %		
EMEA	311.1	369.9	(58.8)	(16)%
Percentage of net revenues	27.1 %	27.0 %		
APAC	172.3	203.4	(31.1)	(15)%
Percentage of net revenues	15.0 %	14.8 %		
Total net revenues	$ 1,148.9	$ 1,371.8	$ (222.9)	(16)%

Total net revenues decreased primarily due to decreases in all customer solutions, which were mainly driven by lower sales volume, partially offset by an increase in Hardware Maintenance and Professional Services.

The Wide Area Networking revenue decreased primarily due to a decline in Service Provider, partially offset by a growth in Cloud and Enterprise.

The Data Center revenue and Campus and Branch revenue decreased across all verticals.

Also, software and security products and services represent key areas of our strategic focus that are critical components to our business success. Software and related service offerings include revenue from software license, software support and maintenance and SaaS contracts, except for revenue included in bundled hardware maintenance stock-keeping units that is allocable to software-related maintenance. Total security offerings include revenue from our complete portfolio of hardware and software security products, including SD-WAN solutions, as well as services related to our security solutions.

The following table presents net revenues from software and security products and services (in millions, except percentages):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Software and Related Services	$ 305.8	$ 232.2	$ 73.6	32 %
Percentage of net revenues	26.6 %	16.9 %		
Total Security	$ 126.0	$ 181.6	$ (55.6)	(31)%
Percentage of net revenues	11.0 %	13.2 %		

Gross Margins

The following table presents gross margins (in millions, except percentages):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Product gross margin	$ 328.0	$ 457.7	$ (129.7)	(28)%
Percentage of product revenues	50.3 %	50.2 %		
Service gross margin	352.9	313.5	39.4	13 %
Percentage of service revenues	71.0 %	68.3 %		
Total gross margin	$ 680.9	$ 771.2	$ (90.3)	(12)%
Percentage of net revenues	59.3 %	56.2 %		

Our gross margins as a percentage of net revenues have been and will continue to be affected by a variety of factors, including general inflationary pressures, the mix and average selling prices of our products and services, new product introductions and enhancements, manufacturing, component and logistics costs, expenses for inventory obsolescence and warranty obligations, cost of support and service personnel, customer mix as we continue to expand our footprint with certain strategic customers, the mix of distribution channels through which our products and services are sold, and import tariffs. For example, in prior periods, our logistics and other supply chain-related costs increased due to the global semiconductor shortage, and we started to see cost improvement in 2023 due to the overall reduction in industry-wide supply constraints. For more information on the impact of supply chain constraints on our business, see the “Risk Factors” section of Item 1A of Part II of this Report.

Product gross margin

Product gross margin as a percentage of product revenues was relatively flat. Favorable software revenue mix and lower inventory related expenses was offset by unfavorable product mix and lower revenue. We continue to undertake specific efforts to address certain factors impacting our product gross margin. These efforts include performance and quality improvements through engineering to increase value across our products; optimizing our supply chain and service business; pricing management; and increasing software and solution sales.

Service gross margin

Service gross margin as a percentage of service net revenues increased primarily due to 6% increase in maintenance revenue, 51% increase in SaaS revenue, and ongoing productivity improvements.

Operating Expenses

The following table presents operating expenses (in millions, except percentages):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Research and development	$ 296.6	$ 284.8	$ 11.8	4 %
Percentage of net revenues	25.8 %	20.8 %		
Sales and marketing	305.4	303.2	2.2	1 %
Percentage of net revenues	26.6 %	22.1 %		
General and administrative	60.7	68.0	(7.3)	(11)%
Percentage of net revenues	5.3 %	5.0 %		
Restructuring charges	4.1	(0.5)	4.6	N/M
Percentage of net revenues	0.4 %	— %		
Merger-related charges	28.3	—	28.3	N/M
Percentage of net revenues	2.4 %	— %		
Total operating expenses	$ 695.1	$ 655.5	$ 39.6	6 %
Percentage of net revenues	60.5 %	47.8 %		

N/M - Not meaningful

Total operating expenses increased during the three months ended March 31, 2024, compared to the same period in 2023, primarily due to merger-related charges, including professional services and financial advisory fees incurred directly in connection with the pending Merger, higher share-based compensation and restructuring charges.

Gain (Loss) on Privately-Held Investments, Net

The following table presents the gain (loss) on privately-held investments, net (in millions, except percentages):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Gain (loss) on privately-held investments, net	$ (14.3)	$ 0.2	$ (14.5)	N/M
Percentage of net revenues	(1.2)%	— %		

N/M - Not meaningful

During the three months ended March 31, 2024, the Company recognized an allowance for credit loss reserve on debt and redeemable preferred stock investments and note receivables relating to its privately-held investees. The credit loss represents the difference between the estimated fair value or the amount expected to be collected and the amortized cost related to credit factors.

Other Income (Expense), Net

The following table presents other income (expense), net (in millions, except percentages):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Interest income	$ 16.9	$ 9.5	$ 7.4	78 %
Interest expense	(20.5)	(19.2)	(1.3)	7 %
Gain on other investments, net [(1)]	3.4	0.7	2.7	386 %
Other	2.3	0.2	2.1	N/M
Total other income (expense), net	$ 2.1	$ (8.8)	$ 10.9	(124)%
Percentage of net revenues	0.2 %	(0.6)%		

N/M - Not meaningful

(1) Other investments represent fixed income securities and equity investments with readily determinable fair value. The prior period amounts have been reclassified to conform to the current period presentation.

Total other income (expense), net, increased during the three months ended March 31, 2024, compared to the same period in 2023, primarily due to higher interest income, net gains on investments and higher foreign currency gains, partially offset by higher interest expense.

Income Tax (Benefit) Provision

The following table presents income tax (benefit) provision (in millions, except percentages):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Income tax (benefit) provision	$ (27.7)	$ 19.6	$ (47.3)	(241)%
Effective tax rate	105.0 %	18.3 %		

The effective tax rate increased during the three months ended March 31, 2024, as compared to the same periods in 2023, primarily due to the changes in the effect of one-time items in the comparative periods. For further explanation of our income tax provision, see Note 11, Income Taxes, in Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report.

Beginning January 1, 2022, as a result of the Tax Cuts and Jobs Act of 2017 ("Tax Act"), all our U.S. and non-U.S. based R&D expenditures are being capitalized and amortized over five and fifteen years, respectively. Absent a change in legislation, we estimate a reduced effective tax rate and incremental cash tax payments of up to $130 million in 2024. The actual impacts will primarily depend on if and when this legislation is deferred, modified, or repealed by the U.S. Congress, including if retroactively, and the amount of R&D

expenditures paid or incurred. We estimate the impacts should gradually decrease over the five- and fifteen-year amortization periods.

Through March 31, 2024, European Union members and several other countries either initiated legislation to adopt or enacted global minimum tax provisions, which are effective for Juniper beginning January 1, 2024. We do not expect to incur significant global minimum taxes in 2024.

Liquidity and Capital Resources

Liquidity and capital resources may be impacted by our operating activities as well as acquisitions, investments in strategic relationships, and payment of cash dividends on our common stock. Since the enactment of the Tax Act, we have repatriated a significant amount of cash from outside of the U.S., and plan to continue to repatriate on an ongoing basis. We intend to use the repatriated cash to invest in the business and fund our return of capital to stockholders.

Based on past performance and current expectations, we believe that our existing cash and cash equivalents, short-term, and long-term investments, and cash generated from operations together with the revolving credit facility will be sufficient to fund our operations; planned dividends; capital expenditures; purchase commitments and other liquidity requirements; and anticipated growth for at least the next twelve months and thereafter for the foreseeable future. However, our future liquidity and capital requirements may vary materially from those now planned depending on many factors, including, but not limited to, our growth rate; the timing and amount we spend to support development efforts; the expansion of sales and marketing activities; the introduction of new and enhanced products and services; the costs to acquire or invest in businesses and technologies; an increase in manufacturing or component costs; costs related to the consummation of the Merger; certain interim operating covenants that we have agreed to in the Merger Agreement; and the risks and uncertainties detailed in the “Risk Factors” section of Item 1A of Part II of this Report.

The Company's cash requirements have not changed materially since December 31, 2023, as discussed in the Form 10-K, except for purchase commitments with contracts manufacturers and suppliers and potential tax payments pursuant to the Tax Act.

Revolving Credit Facility

In June 2023, we entered into a credit agreement with certain institutional lenders that provides for a five-year $500.0 million unsecured revolving credit facility (the “Revolving Credit Facility”), with an option to increase the Revolving Credit Facility by up to an additional $200.0 million, subject to the lenders' approval. The Revolving Credit Facility will terminate in June 2028, subject to two one-year maturity extension options, on the terms and conditions set forth in the credit agreement. Under the terms of the Merger Agreement, the Company has agreed to limit its borrowing to $40 million and is required to terminate the Revolving Credit Facility upon the closing of the Merger. As of March 31, 2024, we were in compliance with all covenants in the credit agreement, and no amounts were outstanding. Refer to Note 7, Debt, in the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report for information on the credit agreement.

Purchase Commitments with Contract Manufacturers and Suppliers

In order to reduce manufacturing lead times and in the interest of having access to adequate component supply, we enter into agreements with contract manufacturers and certain suppliers to procure inventory based on the Company's requirements. A significant portion of the Company's purchase commitments arising from these agreements consists of firm and non-cancellable commitments. In certain instances, these agreements allow the Company the option to cancel, reschedule, and adjust its requirements based on the Company's business needs prior to firm orders being placed. As of March 31, 2024, we had purchase commitments of $1,140.0 million, with $855.7 million payable within 12 months.

Tax Payments

During the three months ended March 31, 2024, we made tax payments of approximately $22 million. For the remainder of 2024, we may incur up to $130 million in additional tax payments attributed to the capitalization and amortization requirements for R&D expenditures pursuant to the Tax Act.

Capital Return

We have a capital return program authorized by the Board of Directors (the "Board"). As of March 31, 2024, there was approximately $0.2 billion of authorized funds remaining under the 2018 Stock Repurchase Program. In connection with our entry into the Merger Agreement, we are required to suspend our stock repurchase program, and we did not repurchase our common stock during the three months ended March 31, 2024.

In addition, any future dividends, and the establishment of record and payment dates, are subject to approval by the Board or an authorized committee thereof. See Note 14, Subsequent Events, in the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report for discussion of our dividend declaration subsequent to March 31, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposures to market risk have not changed materially since December 31, 2023. For quantitative and qualitative disclosures about market risk, see Item 7A Quantitative and Qualitative Disclosures about Market Risk, in our Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Attached as exhibits to this Report are certifications of our principal executive officer and principal financial officer, which are required in accordance with Rule 13a-14 of the Exchange Act. This “Controls and Procedures” section includes information concerning the controls and related evaluations referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered in this Report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting during the first quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under the “Legal Proceedings” section in Note 13, Commitments and Contingencies, in Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report, is incorporated herein by reference.

Item 1A. Risk Factors

RISK FACTOR SUMMARY

Our business is subject to numerous risks and uncertainties. These risks include, but are not limited to, the following:

Risks Related to the Merger

- The pendency of the Merger may result in disruptions to our business, divert management's attention, disrupt our relationships with third parties and employees, and result in negative publicity, customer concerns, or legal proceedings, any of which could negatively impact our operating results and ongoing business.
- Completion of the Merger is subject to the conditions contained in the Merger Agreement, including receipt of regulatory approvals, which may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that cannot be met, and if these conditions are not satisfied or waived, the Merger will not be completed.
- Litigation has arisen and additional litigation may arise in connection with the Merger, which could be costly, prevent or delay consummation of the Merger, divert management’s attention, and otherwise materially harm our business.

Risks Related to Our Business Strategy and Industry

- Our quarterly results are unpredictable and subject to substantial fluctuations; as a result, we may fail to meet the expectations of securities analysts and investors.
- We expect our gross margins and operating margins to vary over time.
- Our backlog may not be an accurate indicator of our level and timing of future revenues.
- We derive a material portion of our revenues from a limited number of our customers.
- If we are unable to compete effectively, our business and financial results could be harmed.
- Fluctuating economic conditions make it difficult to predict revenues and gross margin for a particular period and a shortfall in revenues or increase in costs of production may harm our operating results.
- Our success depends upon our ability to effectively plan and manage our resources and scale and restructure our business.
- Our acquisitions or divestitures of businesses could disrupt our business and harm our financial condition and stock price, and equity issued as consideration for acquisitions may dilute the ownership of our stockholders.

- Long sales and implementation cycles for our products and customer urgency related to ship dates to fill large orders may cause our revenues and operating results to vary significantly from quarter-to-quarter.
- Our ability to recognize revenue in a particular period is contingent on the timing of product orders and deliveries and/or our sales of certain software, subscriptions, and professional support and maintenance services.

Risks Related to Our Technology and Business Operations

- If the demand for network and IP systems does not continue to grow, our business, financial condition, and results of operations could be adversely affected.
- Issues in the development and use of artificial intelligence ("AI") may result in reputational harm or liability.
- If we do not anticipate technological shifts, market needs and opportunities, we may not be able to compete effectively and our ability to generate revenues will suffer.
- Our strategy to expand our software business could adversely affect our competitive position.
- If our products do not interoperate with our customers' networks, installations will be delayed or cancelled and could harm our business.
- Our products incorporate and rely upon licensed third-party technology.
- We may face difficulties enforcing our proprietary rights, which could adversely affect our ability to compete.
- We depend on contract manufacturers and original design manufacturers as well as single-source and limited source suppliers, including for key components such as semiconductors.
- We face significant risks to our business and operations due to political and economic tensions between China and Taiwan.
- System security risks, data protection breaches, and cyberattacks could compromise our and our customers' proprietary information, disrupt our internal operations, and harm public perception of our products.

- Disruption in our distribution channels could seriously harm our future revenue and financial condition and increase our costs and expenses.
- We rely on the performance of our business systems and third-party systems and processes.
- Our ability to develop, market, and sell products could be harmed if we are unable to retain or hire key personnel.
- Our business could be negatively impacted by oversight of ESG matters and/or our reporting of ESG matters.

Legal, Regulatory, and Compliance Risks

- We are a party to lawsuits, investigations, and other disputes.
- Non-standard contract terms with telecommunications, cable, and cloud service provider companies, and other large customers, including large enterprise customers, could have an adverse effect on our business or impact the amount of revenues to be recognized.
- Regulations of our industry or of our customers could harm our operating results and future prospects.
- Governmental regulations, economic sanctions and other legal restrictions that affect international trade or affect movement and disposition of our products and component parts could negatively affect our revenues and operating results.
- Our actual or perceived failure to adequately protect personal data could adversely affect our business, financial condition, and results of operations.

Financial Risks

- Our financial condition and results of operations could suffer if there is an impairment of goodwill or purchased intangible assets.
- Changes in effective tax rates, the adoption of new U.S. or international tax legislation, or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results.
- We are subject to risks arising from our international operations, which may adversely affect our business, financial condition, and results of operations.
- There are risks associated with our outstanding and future indebtedness.
- Our investments are subject to risks, which may cause losses and affect the liquidity of these investments.

General Risk Factors

- Failing to adequately evolve our financial and managerial control and reporting systems and processes, or any weaknesses in our internal controls may adversely affect investor perception, and our stock price.
- Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum.

Factors That May Affect Future Results

We operate in rapidly changing economic and technological environments that present numerous risks, many of which are driven by factors that we cannot control or predict. Some of these risks are highlighted in the following discussion, and in Management’s Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk. Investors should carefully consider all relevant risks before investing in our securities. The occurrence of any of these risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition, operating results, and stock price.

RISKS RELATED TO THE MERGER

The pendency of the Merger may result in disruptions to our business, divert management's attention, disrupt our relationships with third parties and employees, and result in negative publicity, customer concerns, or legal proceedings, any of which could negatively impact our operating results and ongoing business. On January 9, 2024, we entered into the Merger Agreement with HPE and Merger Sub, providing for the acquisition of Juniper by HPE. On April 2, 2024, we received stockholder approval of the Merger Agreement at a special meeting of stockholders. Completion of the Merger, which is currently expected in late calendar year 2024 or early calendar year 2025, is subject to the satisfaction or waiver of certain closing conditions, including: (1) the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and certain other approvals, clearances or expirations of waiting periods under other antitrust laws and foreign investment laws, (2) the absence of any order, injunction, or other order or law prohibiting the Merger or making the closing of the Merger illegal, (3) the accuracy of each party’s representations and warranties, subject to certain standards set forth in the Merger Agreement, (4) the performance and compliance in all material respects of each party’s agreements and covenants under the Merger Agreement, and (5) in the case of the obligations of HPE and Merger Sub to effect the Merger, no Material Adverse Effect (as defined in the Merger Agreement) with respect to Juniper, having occurred and that is continuing as of the closing. There is no assurance that all of the conditions will be satisfied or waived, or that the Merger will be completed on the proposed terms, within the expected timeframe, or at all. Furthermore, there are additional inherent risks in the Merger, including, but not limited to, the risks detailed below.

During the period prior to the closing of the Merger, our business is exposed to certain inherent risks due to the effect of the pendency of the Merger on our business relationships, financial condition, operating results, and business, including:

- potential uncertainty in the marketplace, which could result in current and prospective customers, resellers, and distributors to purchase products and services from our competitors or reduce, delay or cancel purchasing from us;

- the possibility of disruption to our business and operations, including diversion of management attention and resources;

- the inability to attract and retain key personnel (including as a result of solicitation by our competitors or others), and the possibility that our current employees could be distracted, and their productivity decline as a result, due to uncertainty regarding the Merger;

- the inability to pursue alternative business opportunities or make changes to our business and other restrictions on our ability to conduct our business, pending the completion of the Merger;

- our inability to solicit other acquisition proposals during the pendency of the Merger;

- the amount of the costs, fees, expenses, and charges related to the Merger Agreement and the Merger; and

- other developments beyond our control, including, but not limited to, changes in domestic or global economic or political conditions that may affect the timing or success of the Merger.

The Merger may be delayed, and may ultimately not be completed, due to a number of factors, including:

- the failure to obtain regulatory approvals from certain governmental entities (or the imposition of any conditions, limitations or restrictions on such approvals);

- the pendency and outcome of any stockholder litigation and other legal and regulatory proceedings, which could delay or prevent the Merger; and

- the failure to satisfy the other conditions to the completion of the Merger, including the possibility that a continuing Material Adverse Effect on our business would permit HPE not to close the Merger.

If the Merger does not close, our business and stockholders would be exposed to additional risks, including:

- to the extent that the current market price of our common stock reflects an assumption that the Merger will be completed, the price of our common stock could decrease if the Merger is not completed;

- investor confidence could decline, stockholder litigation could be brought against us, relationships with existing and prospective customers, resellers, distributors, manufacturers, service providers, investors, lenders, and other business partners may be adversely impacted, we may be unable to hire or retain key personnel, and profitability may be adversely impacted due to costs incurred in connection with the pending Merger;

- the requirement that we pay a customary termination fee of $407.5 million if the Merger Agreement is terminated in certain circumstances, including by us in order to accept a superior proposal or by HPE because the Board of Directors of Juniper withdraws its recommendation in favor of the Merger.

Even if successfully completed, there are certain additional risks to our stockholders from the Merger, including:

- the amount of cash to be paid under the Merger Agreement is fixed and will not be adjusted for changes in our business, assets, liabilities, prospects, outlook, financial condition, or operating results or in the event of any change in the market price of, analyst estimates of, or projections relating to, our common stock;

- the fact that receipt of the all-cash per share merger consideration under the Merger Agreement is taxable to stockholders that are treated as U.S. holders for U.S. federal income tax purposes; and

- the fact that, if the Merger is completed, our stockholders will forego the opportunity to realize the potential long-term value of the successful execution of our current strategy as an independent company, and will be affected by the ability of HPE to integrate and implement its plans, forecasts and other expectations with respect to our business and realize additional opportunities for growth and innovation.

Any of the foregoing, individually or in combination, could materially and adversely affect our business, our financial condition, and our results of operations and prospects.

Completion of the Merger is subject to the conditions contained in the Merger Agreement, including receipt of regulatory approvals, which may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that cannot be met, and if these conditions are not satisfied or waived, the Merger will not be completed. Before the Merger may be completed, various consents, clearances, approvals, authorizations and declarations of non-objection, or expiration of waiting periods (or extensions thereof), must be obtained from certain regulatory and governmental authorities in the U.S., in the European Union, and in numerous other jurisdictions. In addition, the Merger may be reviewed under antitrust statutes or foreign direct investment regimes of other governmental authorities.

In deciding whether to grant the required regulatory approval, consent or clearance, the relevant governmental entities will consider the effects of the Merger on competition within their relevant jurisdiction. Regulatory and governmental entities may impose conditions on their respective approvals, in which case lengthy negotiations may ensue among such regulatory or governmental entities, HPE and us. Such conditions, any such negotiations and the process of obtaining regulatory approvals could have the effect of delaying or preventing consummation of the Merger.

Subject to the terms of the Merger Agreement, we have agreed to use our reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper, or advisable under applicable laws to consummate and make effective the transactions contemplated by the Merger Agreement, including the Merger, as soon as reasonably practicable; provided, however, HPE is not required, and we are not permitted, to take any action that would result in a Burdensome Condition (as defined in the Merger Agreement). Satisfaction of many of the closing conditions is not within our control. For example, we cannot be certain that required regulatory clearances and approvals will be obtained in a timely manner or at all, or that the granting of these regulatory clearances and approvals will not involve the imposition of regulatory remedies on the completion of the Merger.

If any of the closing conditions are not satisfied or waived prior to January 9, 2025, which deadline may be automatically extended to October 9, 2025, under certain circumstances, it is possible that the Merger Agreement will be terminated.

Litigation has arisen and additional litigation may arise in connection with the Merger, which could be costly, prevent or delay consummation of the Merger, divert management’s attention, and otherwise materially harm our business. In connection with the Merger, litigation has been filed against us, our directors, and HPE. Among other remedies, the plaintiffs in these lawsuits seek damages or to enjoin the Merger. It is possible that additional litigation against us or our directors may be filed in the future as securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into acquisition, merger, or other business combination agreements like the Merger Agreement. The outcome of any such litigation is uncertain, and any litigation related to the Merger could delay or prevent the consummation of the proposed Merger.

Regardless of the outcome of any pending or future litigation related to the Merger, such litigation may be time-consuming and expensive and may distract our management from running the day-to-day operations of our business. The litigation costs and diversion of management’s attention and resources to address the claims and counterclaims in any litigation related to the Merger may materially negatively impact our business, results of operations, prospects, cash flows, and financial condition. If the Merger is not consummated for any reason, litigation could be filed in connection with the failure to consummate the Merger. Any litigation related to the Merger may result in negative publicity or an unfavorable impression of us, which could negatively affect the price of our common stock, impair our ability to recruit or retain employees, damage our relationships with our customers, resellers, distributors, and other business partners, or otherwise materially harm our operations and financial performance.

Further, one of the conditions to the completion of the Merger is that no restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction will be in effect which prevents the consummation of the Merger. As such, if any such order or injunction preventing the consummation of the Merger is obtained, that order or injunction may prevent the proposed Merger from becoming effective or from becoming effective within the expected timeframe.

RISKS RELATED TO OUR BUSINESS STRATEGY AND INDUSTRY

Our quarterly results are unpredictable and subject to substantial fluctuations; as a result, we may fail to meet the expectations of securities analysts and investors. Our revenues and operating results may vary significantly from quarter-to-quarter due to a number of factors, many of which are outside of our control. If our quarterly financial results or our predictions of future financial results fail to meet the expectations of securities analysts and investors, the trading price of our securities could be negatively affected. Our operating results for prior periods may not be effective predictors of our future performance.

Factors associated with our industry, the operation of our business, and the markets for our products and services that may cause our quarterly results to fluctuate, include, but are not limited to:

- unpredictable ordering patterns and limited visibility into our customers' spending plans and associated revenue;
- changes in our customer mix, the mix of products and services sold, and the geographies in which our products and services are sold;
- changes in the demand for our products and services, including seasonal fluctuations in customer spending;
- changing market and economic conditions, including rising interest rates, recessionary cycles, and inflationary pressures, that could make our solutions more expensive or could increase our costs for materials, supplies, and services;
- ability to fulfill orders received in a timely manner due to disruptions and shortages in our global supply chain;
- changes in ordering patterns from increased advance ordering by customers of our products due to industry-wide supply chain concerns and our increased lead times, followed by decreased ordering by our customers as they consume advance orders as supply normalizes;
- price and product competition;
- ineffective legal protection of our intellectual property rights in certain countries;
- how well we execute on our strategy and business model;
- financial stability of our customers, including the solvency of private sector customers, and the impact of adverse developments affecting the financial services industry;
- executive orders, tariffs, governmental sanctions, changes in laws or regulations and accounting rules, or interpretations thereof;
- the impact of a U.S federal government shutdown or sovereign debt default on the U.S. economy, capital markets, our customers, our suppliers, and our business, including any

adverse effects due to limited federal government services, such as import and export clearance, or visa processing;

- regional economic and political conditions, which may be aggravated by unanticipated global events; and
- disruptions in our business operations or target markets caused by, among other things, terrorism or other intentional acts, armed conflicts (such as the ongoing conflict between Russia and Ukraine, as well as governmental sanctions imposed in response, and Middle East conflicts, including the Israel-Hamas war and conflicts related to the attacks on cargo ships in the Red Sea), cyberwarfare, an escalation of political tensions, outbreaks of disease, including global health emergencies and pandemics, earthquakes, floods, fires, or other natural disasters, including catastrophic events, and other unanticipated extraordinary externalities, including extreme weather conditions due to climate change that increase both the frequency and severity of natural disasters and may cause derivative disruptions such as impacts to our physical infrastructure or those of our customers, manufacturers, and suppliers.

We believe that quarter-to-quarter comparisons of operating results are not necessarily a good indication of what our future performance will be. In some prior periods, our operating results have been below our guidance, our long-term financial model, or the expectations of securities analysts or investors. In addition, our failure to pay quarterly dividends to our stockholders could have a material adverse effect on our stock price.

We expect our gross margins and operating margins to vary over time. Our product and service gross margins are expected to vary, and may be adversely affected in the future by numerous factors, including, but not limited to, customer, vertical, product and geographic mix shifts, an increase or decrease in our software sales or the services we provide, increased price competition in one or more of the markets in which we compete, modifications to our pricing strategy to gain or retain footprint in markets or with customers, currency fluctuations that impact our costs or the cost of our products and services to our customers, inflation, increases in material, labor, logistics, warranty costs, or inventory carrying costs, excess product component or obsolescence charges, issues with manufacturing or component availability, issues relating to the distribution of our products and provision of our services, quality or efficiencies, increased costs due to changes in component pricing or charges incurred due to inaccurately forecasting product demand, warranty related issues, the impact of tariffs, or our introduction of new products and enhancements, or entry into new markets with different pricing and cost structures. We have seen, and may continue to see, our gross margins negatively impacted by increases in component costs, logistics costs, elevated inventory balances, and inflationary pressures. Failure to sustain or improve our gross margins reduces our profitability and may have a material adverse effect on our business and stock price.

Our backlog may not be an accurate indicator of our level and timing of future revenues. Our backlog may not be a reliable indicator of future operating results. For example, as a result of product order volume growth in prior periods and industry-wide supply challenges due to both constrained manufacturing capacity as well as shortages of component parts, our backlog grew significantly in 2021 and 2022 and remained elevated throughout 2023. As customer buying patterns normalize, order growth declines, and supply chain conditions improve, we expect our backlog to reduce to approximate historical levels. Further, customer behaviors have been changing as a result of worldwide macroeconomic factors, which has reduced demand and may continue to reduce demand for certain of our products and services. If we are not able to respond to and manage the impact of these and other events effectively, or if the macroeconomic conditions of the general economy or the industries in which we operate worsen from present levels, our business, operating results, financial condition, and cash flows could be adversely affected.

We derive a material portion of our revenues from a limited number of our customers. A material portion of our net revenues, across each customer vertical, depends on sales to a limited number of customers. The concentration of our customer base increases risks related to the financial condition of our customers, and the deterioration in financial condition of a single customer or the failure of a single customer to perform its obligations could have a material adverse effect on our results of operations and cash flow. If any such customers change their business requirements or focus, vendor selection, project prioritization, or purchasing behavior, or are parties to consolidation transactions, they may delay, suspend, reduce, or cancel their purchases of our products or services and our business, financial condition, and results of operations may be adversely affected. In addition, major customers may also seek more favorable pricing, payment, intellectual property-related, or other commercial terms that are less favorable to us, which may have a negative impact on our business, cash flow, revenue, and gross margins.

If we are unable to compete effectively, our business and financial results could be harmed. The markets that we serve are rapidly evolving and highly competitive and include several well-established companies. We also compete with other companies that are developing technologies that compete with our products. In addition, actual or speculated consolidation among competitors, or the acquisition by, or of, our partners and/or resellers by competitors can increase the competitive pressures faced by us as customers may delay spending decisions or not purchase our products at all. Our partners and resellers generally sell competing products on a non-exclusive basis and consolidation could delay spending or require us to increase discounts to compete, which could also adversely affect our business. Several of our competitors have substantially greater resources and can offer a wider range or greater depth of products and services for the overall network equipment market than we do. Other competitors have become more integrated, including through consolidation and vertical integration, and offer a broader range of products and services, which could make their solutions more attractive to our customers. Many of our competitors also sell networking products as bundled solutions with other IT products. If we are unable to compete effectively, we could experience a loss in market share and a reduction in revenues and/or be required to reduce prices, which could reduce our gross margins and materially and adversely affect our business, financial condition, and results of operations.

Fluctuating economic conditions make it difficult to predict revenues and gross margin for a particular period and a shortfall in revenues or increase in costs of production may harm our operating results. Our revenues and gross margin depend significantly on general economic conditions and the demand for products in the markets in which we compete. Economic weakness or uncertainty, customer financial difficulties, and constrained spending on network expansion and enterprise infrastructure have resulted in, and may in the future result in, decreased revenues and earnings. Such factors could make it difficult to accurately forecast revenues and operating results and could negatively affect our ability to provide accurate forecasts to our contract manufacturers, manage our contract manufacturer relationships and other expenses, and to make decisions about future investments. In addition, economic instability or uncertainty, inflationary pressures, continued turmoil in the geopolitical environment in many parts of the world and other events beyond our control, such as the remaining effects of global health emergencies, the ongoing conflict between Russia and Ukraine, and the Israel-Hamas war, have, and may continue to, put pressure on economic conditions, including global and regional financial markets, which has led and could lead, to reduced demand for our products, delays or reductions in network expansions or infrastructure projects, and/or higher costs of production. Future or continued economic weakness, failure of our customers and markets to recover from such weakness, customer financial difficulties, increases in costs of production, and reductions in spending on network maintenance and expansion could result in price concessions in certain markets or have a material adverse effect on demand for our products and consequently on our business, financial condition, and results of operations.

Our success depends upon our ability to effectively plan and manage our resources and scale and restructure our business. Our ability to successfully offer our products and services and execute on our growth strategy in a rapidly evolving market requires an effective planning, forecasting, and management process to enable us to effectively scale and adjust our business and business models in a cost-effective manner. From time to time, we have increased investment in our business by increasing headcount, acquiring companies, and increasing our investment in research and development, sales and marketing, and other parts of our business. Conversely, from time to time, we have initiated restructuring plans to realign our workforce as a result of organizational and leadership changes, which resulted in restructuring charges. Our ability to achieve the anticipated cost savings and other benefits from these initiatives is subject to many estimates and assumptions, which are subject to uncertainties. If our estimates and assumptions are incorrect, if we are unsuccessful at implementing changes, if we cannot evolve and scale our business and operations effectively, or if other unforeseen events occur, our business, financial condition, and results of operations could be adversely affected.

Our acquisitions or divestitures of businesses could disrupt our business and harm our financial condition and stock price, and equity issued as consideration for acquisitions may dilute the ownership of our stockholders. We have made, and may continue to make, acquisitions to enhance our business and invest significant resources to integrate the businesses we acquire. The success of each acquisition depends in part on our ability to realize business opportunities and manage risks, including, but not limited to: problems combining the purchased business operations, technologies or products, unanticipated costs, higher operating expenses, liabilities, litigation, diversion of management's time and attention, adverse effects on existing business relationships with suppliers and customers, risks associated with entering markets in which we have no or limited prior experience, and where competitors in such markets have stronger market positions, initial dependence on unfamiliar supply chains, failure of our due diligence processes to identify significant problems, liabilities, or other challenges of an acquired company or technology, including risks that arise due to incomplete assimilation of acquired companies' information systems and use by acquired companies of technology managed outside the scope of our information technology organization resulting in incomplete coverage by our cybersecurity threat risk management tools, and the potential loss of key employees, customers, distributors, vendors, and other business partners of the companies we acquire.

Acquisitions of high-technology companies are inherently risky and subject to uncertainties, including many factors outside of our control. As a result, our previous or future acquisitions may not be successful. We may not be able to successfully integrate any businesses, products, technologies, or personnel that we acquire or the transaction may not advance our business strategy as expected. Further, we may not realize anticipated revenues or other benefits associated with our acquisitions. In addition, we have divested, and may in the future divest, businesses, product lines, or assets. These transactions may also require significant separation activities that could result in the diversion of management’s time and attention, loss of employees, substantial separation costs, and accounting charges for asset impairments. Any acquisitions or divestitures may materially adversely affect our business, operating results, or financial condition.

In connection with certain acquisitions, we may agree to issue common stock, or assume equity awards, which would dilute the ownership of our current stockholders; use a substantial portion of our cash resources; assume liabilities (both known and unknown); incur tax expenses; record goodwill and amortizable intangible assets as well as restructuring and other related expenses. We may incur additional acquisition-related debt, which could increase our leverage and potentially negatively affect our credit ratings resulting in more restrictive borrowing terms or increased borrowing costs, thereby limiting our ability to borrow. Any of the foregoing factors could harm our ability to achieve anticipated levels of profitability or other financial benefits from our acquired or divested businesses, product lines or assets or to realize other anticipated benefits of divestitures or acquisitions.

Long sales and implementation cycles for our products and customer urgency related to ship dates to fill large orders may cause our revenues and operating results to vary significantly from quarter-to-quarter. We experience lengthy sales cycles because our customers' decisions to purchase certain of our products, particularly new products, involve a significant commitment of their resources and a lengthy evaluation and product qualification process. Customers design and implement large network deployments following lengthy procurement processes, which may impact expected future orders. Following a purchase, customers may also deploy our products slowly and deliberately. Customers with large networks often expand their networks in large increments on a periodic basis and place large orders on an irregular basis. These sales and implementation cycles, as well as our expectation that customers will place large orders with urgent ship dates, may cause our revenues and operating results to vary significantly from quarter-to-quarter.

Our ability to recognize revenue in a particular period is contingent on the timing of product orders and deliveries and/or our sales of certain software, subscriptions, and professional support and maintenance services. In some of our businesses, our quarterly sales have periodically reflected a pattern in which a disproportionate percentage of each quarter's total sales occurs towards the end of the quarter. Further, we build certain products only when orders are received. Since the volume of orders received late in any given fiscal quarter remains unpredictable, if orders for custom products are received late in any quarter, we may not be able to recognize revenue for these orders in the same period or meet our expected quarterly revenues. Similarly, if we were to take actions or events occur which encourage customers to place orders or accept deliveries earlier than anticipated, our ability to meet our expected revenues in future quarters could be adversely affected. We also determine our operating expenses based on our anticipated revenues and technology roadmap and a high percentage of our expenses are fixed in the short and medium term. Any failure or delay in generating or recognizing revenue could cause significant variations in our operating results and operating margin from quarter-to-quarter.

In addition, services revenue, including SaaS revenue, accounts for a significant portion of our revenue, comprising 35%, 33%, and 35% of total revenue in 2023, 2022, and 2021, respectively. We expect our sales of new or renewal professional services, support, maintenance, and SaaS contracts to fluctuate due to end-customers’ level of satisfaction with our products and services, the prices of our products and services or those offered by our competitors, and reductions in our end-customers’ spending levels. We recognize professional services when delivered, and we recognize support, maintenance, and SaaS revenue periodically over the term of the relevant service period.

Further, we recognize certain software revenues periodically over the term of the relevant use or subscription periods and as a result, the related software and support and maintenance revenue we report each fiscal quarter is derived from the recognition of deferred revenue from contracts entered into during previous fiscal quarters. Any fluctuation in such new or renewed contracts in any one fiscal quarter may not be fully or immediately reflected in revenue and could negatively affect our revenue in future fiscal quarters.

RISKS RELATED TO OUR TECHNOLOGY AND BUSINESS OPERATIONS

If the demand for network and internet protocol ("IP") systems does not continue to grow, our business, financial condition, and results of operations could be adversely affected. A substantial portion of our business and revenues depends on the growth of secure IP infrastructure as well as customers that depend on the continued growth of IP services to deploy our products in their networks and IP infrastructures. As a result of changes in the economy, capital spending, or the building of network capacity in excess of demand (all of which have, in the past, particularly affected telecommunications service providers), spending on IP infrastructure can vary, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, a number of our existing customers are evaluating the build-out of their next generation networks. During the decision-making period when our customers are determining the design of those networks and the selection of the software and equipment they will use in those networks, such customers may greatly reduce or suspend their spending on secure IP infrastructure. Any reduction or suspension of spending on IP infrastructure is difficult to predict, and may be due to events beyond our control. This, in turn, can make it more difficult to accurately predict revenues from customers, can cause fluctuations in the level of spending by customers and, even where our products are ultimately selected, can have a material adverse effect on our business, financial condition, and results of operations.

Issues in the development and use of AI may result in reputational harm or liability. We incorporate AI capabilities into certain offerings and internal operations, and this technology is a significant element of our business and certain of our partners' businesses. As with many developing technologies, AI presents risks and challenges, and may result in unintended consequences that could affect its further development, adoption, and use, and therefore our business.

Certain of our offerings rely on AI to enhance their operation and effectiveness. The development, maintenance, and operation of AI is expensive and complex, and may involve unforeseen difficulties, including material performance problems, flawed algorithms, undetected defects, or errors. Deficiencies or other failures of our offerings' AI capabilities could subject us to competitive harm, regulatory action, penalties, legal liability, or brand or reputational harm. Additionally, leveraging AI capabilities to improve internal functions and operations presents further risks, costs, and challenges, including those related to implementing and maintaining AI tools licensed from third-party vendors. The datasets or AI training algorithms used in these tools may be insufficient or contain biased information, and we may be unsuccessful in identifying or resolving ethical, privacy, or other legal issues presented by their use. The use of AI to support business operations may also carry inherent risks related to data privacy and security, such as intended or unintended transmission of personal data or confidential, proprietary or sensitive information.

We may also be exposed to these and other risks through the increased use of AI by our manufacturers, suppliers, and other business partners. Reliance on AI by these third parties could introduce operational vulnerabilities, disrupt our supply chain management, increase cybersecurity risks, and impact our relationships with customers, partners, and suppliers.

AI is an emerging technology for which the legal and regulatory landscape is not fully developed, including potential liability for breaching intellectual property or data privacy and security regulations. While laws and regulations applicable to AI are emerging and evolving, including in the U.S, from a state-wide and federal perspective, as well as global AI regulations, including the Artificial Intelligence Act ("AI Act") that was enacted by the EU in March 2024, what these legal frameworks will look like remains uncertain and they may be inconsistent from jurisdiction to jurisdiction. We may not always be able to anticipate how to respond to these legal frameworks, and our obligation to comply with them could entail significant costs, negatively affect our business, or entirely limit our ability to incorporate certain AI capabilities into our offerings and operations.

If we do not anticipate technological shifts, market needs and opportunities, we may not be able to compete effectively and our ability to generate revenues will suffer. If we are unable to anticipate future technological shifts, market needs, requirements or opportunities, or fail to develop and introduce new products, product enhancements, or business strategies to meet those requirements or opportunities in a timely manner or at all, it could cause us to lose customers, substantially decrease or delay market acceptance and sales of our products and services, and significantly harm our business, financial condition, and results of operations. In addition, if we invest in developing products for a market that does not develop, it could significantly harm our business, financial condition, and results of operations. Even if we are able to anticipate, develop, and commercially introduce new products, enhancements or business strategies, any such products, enhancements, or business strategies may not achieve market acceptance.

Our strategy to expand our software business could adversely affect our competitive position. The success of our strategy to expand our software business is subject to a number of risks and uncertainties, including, but not limited to:

- the additional development efforts and costs required to create new software products and to make our products compatible with multiple technologies;
- the possibility that our software products may not achieve widespread customer adoption;
- the possibility that our strategy could erode our revenue and gross margins;
- the impact on our financial results of longer periods of revenue recognition for certain types of software products and changes in tax treatment associated with software sales;
- the additional costs associated with both domestic and international regulatory compliance, data protection, privacy and security laws, industry data security standards, and changes we need to make to our distribution chain in connection with increased software sales;
- issues related to cloud-specific and AI-specific regulatory requirements in certain countries including the U.S.,U.K., EU, and APAC countries.
- the ability of our disaggregated hardware and software products to operate independently and/or to integrate with current and future third-party products; and
- issues with third-party technologies used with our software products, which may be attributed to us.

If any of our software products or business strategies do not gain market acceptance or meet our expectations for growth, our ability to meet future financial targets may be adversely affected and our competitive position and our business and financial results could be harmed.

If our products do not interoperate with our customers' networks, installations will be delayed or cancelled and could harm our business. Our products are designed to interface with our customers’ existing networks, each of which have different specifications and utilize multiple protocol standards and products from other vendors. Many of our customers’ networks contain multiple generations of products that have been added over time as these networks have grown and evolved. Our products must interoperate with many or all of the products within these networks as well as future products to meet our customers’ requirements. If we find errors in the existing software or defects in the hardware used in our customers’ networks, we may need to modify our software or hardware to fix or overcome these errors so that our products will interoperate and scale with the existing software and hardware, which could be costly and could negatively affect our business, financial condition, and results of operations. In addition, if our products do not interoperate with those of our customers’ networks, demand for our products could be adversely affected or orders for our products could be canceled. This could hurt our operating results, damage our reputation, and seriously harm our business and prospects.

Our products incorporate and rely upon licensed third-party technology. We integrate licensed third-party technology into certain of our products. From time to time, we may be required to renegotiate our current third-party licenses or license additional technology from third parties to develop new products or product enhancements or to facilitate new business models. Third-party licenses may not be available or continue to be available to us on commercially reasonable terms and some of our agreements with our licensors may be terminated for convenience by them. In addition, we cannot be certain that our licensors are not infringing on the intellectual property rights of third parties or that our licensors have sufficient rights to the licensed intellectual property in all jurisdictions in which we may sell our products. Third-party technology we incorporate into our products that is deemed to infringe on the intellectual property of others may result, and in some cases has resulted, in limitations on our ability to source technology from those third parties, restrictions on our ability to sell products that incorporate the infringing technology, increased exposure to liability that we will be held responsible for incorporating the infringing technology in our products, and increased costs involved in removing that technology from our products or developing substitute technology. Our inability to comply with, maintain or re-license any third-party licenses required in our products or our inability to obtain third-party licenses necessary to develop new products and product enhancements, could require us to develop substitute technology or obtain substitute technology of lower quality or performance standards or at a greater cost, any of which could delay or prevent product shipment and harm our business and results of operations.

We may face difficulties enforcing our proprietary rights, which could adversely affect our ability to compete. We rely on a combination of patents, copyrights, trademarks, trade secret laws, and contractual restrictions on disclosure of confidential and proprietary information, to protect our proprietary rights. We may not be able to protect our proprietary rights, products, or, in fact, provide competitive advantages to us or to our technology if our patent applications do not result in issued patents with the scope of the claims we seek or our patents or other proprietary rights are challenged, invalidated, infringed, or circumvented. Further, we cannot be certain that we were the first to make the inventions claimed in our pending patent applications or that we were the first to file for patent protection, which could prevent our patent applications from being issued as patents or invalidate our patents following issuance, which in turn may prevent us from incorporating our inventions into our products. If we cannot protect our intellectual property rights, we could incur costly product redesign efforts, discontinue certain product offerings, and experience other competitive harm.

Unauthorized parties may also attempt to copy aspects of our products or obtain and use our proprietary information. We generally enter into confidentiality or license agreements with our employees, consultants, vendors, and customers, and generally limit access to and distribution of our proprietary information. However, we cannot ensure that we have entered into confidentiality or license agreements with all parties who may have or have had access to our confidential information or that these agreements will not be breached. We cannot guarantee that any of the measures we have taken will prevent misappropriation of our technology. We are also vulnerable to third parties who illegally distribute or sell counterfeit, pirated, stolen, or unfit versions of our products, which has happened in the past and could happen in the future, and could have a negative impact on our reputation and business.

In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as do the laws of the U.S. If we are unable to protect our proprietary rights, we may be at a competitive disadvantage to others who need not incur the substantial expense, time, and effort required to create innovative products that have enabled our success.

We depend on contract manufacturers and original design manufacturers as well as single-source and limited source suppliers, including for key components such as semiconductors. Our operations depend on our ability to anticipate our needs for components, products and services, as well as the ability of our manufacturers, original design manufacturers, and suppliers to deliver sufficient quantities of quality components, products and services at reasonable prices and in time for us to meet critical schedules for the delivery of our own products and services. Given the wide variety of solutions that we offer, the large and diverse distribution of our manufacturers and suppliers, and the long lead times required to manufacture, assemble and deliver certain products, problems in production, planning and inventory management could seriously harm our business, and the shortage of key components has previously resulted in a significant disruption to our production schedule and resulted in increased prices and extended lead times. Any delay in our ability to produce and deliver our products could cause our customers to purchase alternative products from our competitors. In addition, our ongoing efforts to optimize the efficiency of our supply chain could cause supply disruptions and be more expensive, time-consuming, and resource-intensive than expected. Other manufacturing and supply problems that we could face are described below.

- Manufacturing Issues. We may experience supply shortfalls or delays in shipping products to our customers if our manufacturers experience delays, disruptions, or quality control problems in their manufacturing operations, or if we have to change or add manufacturers or contract manufacturing locations. We have contracts with our manufacturers that include terms to protect us in the event of an early termination, yet we may not have adequate time to transition all of our manufacturing needs to an alternative manufacturer under comparable commercial terms. We have experienced in the past and may experience in the future an increase in the expected time required to manufacture our products or ship products. Moreover, a significant portion of our manufacturing is performed in foreign countries and is therefore subject to risks associated with doing business outside of the U.S., including import restrictions, export restrictions, government sanctions, disruptions to our supply chain, cyberattacks, cyberwarfare, pandemics, regional health emergencies, regional climate-related events, or regional conflicts.

- Single-Source Suppliers. We rely on single or limited sources for many of our components due to technology, availability, price, quality, scale or customization needs. Any supplier could discontinue manufacturing components that we use in our products, which may cause us to either suspend delivery of certain products to our customers, discontinue certain products, or incur additional costs to redesign our products that incorporate discontinued components. In addition, there has been consolidation among certain suppliers of our components. Consolidation among suppliers can result in the reduction of the number of independent suppliers of components available to us, which could negatively impact our ability to access certain component parts or the prices we have to pay for such parts and may impact our gross margins.

- Supply Chain Disruption. Any disruptions to our supply chain, significant increase in component costs or logistics, or shortages of critical components, could decrease our sales, earnings, and liquidity or otherwise adversely affect our business and result in increased costs. Such a disruption could occur as a result of any number of events, including, but not limited to: an extended closure of or any slowdown at our suppliers' plants or shipping delays, market shortages due to the surge in demand from other purchasers for critical components, increases in prices, including fuel prices and increases in prices due to inflation, the imposition of regulations, quotas or embargoes or tariffs on components, labor stoppages, transportation delays, including due to labor strikes, or failures affecting the supply chain and shipment of materials and finished goods, third-party interference in the integrity of the products sourced through the supply chain, cyberattacks, the unavailability of raw materials, severe weather conditions, adverse effects of climate change, natural disasters, geopolitical developments, war or terrorism and disruptions in utilities and other services. In addition, the development, licensing, or acquisition of new products in the future may increase the complexity of supply chain management. Failure to effectively manage the supply of components and products would adversely affect our business.

- Component Supply Forecast. We provide demand forecasts for our products to our manufacturers, who order components and plan capacity based on these forecasts. If we overestimate our requirements, our manufacturers may assess charges, or we may have liabilities for excess inventory or raw materials, each of which could negatively affect our gross margins. If we underestimate our requirements, our contract manufacturers may have inadequate time, materials, and/or components required to produce our products. This could increase costs or delay or interrupt the manufacturing of our products, resulting in delays in shipments and deferral or loss of revenues and could negatively impact customer satisfaction. Any future spike in growth in our business, in the use of certain components we share in common with other companies, in IT spending, or in the economy in general, is likely to create greater short-term pressure on us and our suppliers to accurately forecast overall component demand and to establish optimal component inventories. If shortages or delays persist, we may not be able to secure enough components at reasonable prices or of acceptable quality to build and deliver products in a timely manner, and our revenues, gross margins, and customer relationships could suffer.

- Alternative Sources of Supply. The development of alternate sources for components is time-consuming, difficult, and costly. In the event of a component shortage, supply interruption or significant price increase from these suppliers (such as with the current worldwide shortage of semiconductor products), we may not be able to locate alternative sources in a timely manner. If we are unable to buy components in quantities sufficient to meet our requirements on a timely basis, we will not be able to deliver products and services to our customers, which would seriously affect present and future sales, and would, in turn, adversely affect our business, financial condition, and results of operations.

- Impact due to Global Health Emergencies. Delays in production and in product deliveries due to global health emergencies or pandemics have adversely affected our business and may adversely affect our business, financial condition, and results of operations in the future. These challenges have resulted in extended lead-times to our customers and have had a negative impact on our ability to recognize associated revenue and has previously resulted in and may in the future result in an increase in accelerated ordering for certain of our products.

We face significant risks to our business and operations due to political and economic tensions between China and Taiwan. We have significant business operations in Taiwan, and some of our manufacturing partners and suppliers have facilities in Taiwan. As a result, our operations and our supply chain could be materially and negatively impacted by adverse changes in China-Taiwan relations, which have become increasingly frayed in recent years. Accordingly, further deterioration in military, political and economic relations between China and Taiwan, as well as the ongoing geopolitical and economic uncertainty between the U.S. and China, the unknown impact of current and future U.S. and Chinese trade regulations and other geopolitical risks with respect to China and Taiwan, may cause disruptions in the markets and industries we serve, including decreased demand from customers for products using our solutions, our supply chain, or other disruptions which may, directly or indirectly, materially harm our business, financial condition, results of operations, and the market price of our stock.

System security risks, data protection breaches, and cyberattacks could compromise our and our customers' proprietary information, disrupt our internal operations, and harm public perception of our products. In the ordinary course of business, we store sensitive data, including intellectual property, personal data, our proprietary business information and that of our employees, contractors, customers, suppliers, vendors, and other business partners on our networks. In addition, we store sensitive data through cloud-based services that may be hosted by third parties and in data center infrastructure maintained by third parties. Secure maintenance of this information is critical to our operations and business strategy. We have been, and expect to be, subject to cyberattacks, and may be subject to ransomware and distributed denial-of-service attacks, spearfishing attacks and other attempted intrusions on our networks and systems by a wide range of actors, including, but not limited to, nation states, criminal enterprises, terrorist organizations, and other organizations or individuals, as well as errors, wrongful conduct or malfeasance by employees and third-party service providers (collectively, “malicious parties”). We expect our third-party vendors to be subject to similar cyberattacks, ransomware and distributed denial-of-service attacks, spearfishing attacks and other attempted intrusions. The increasing occurrence of high-profile data breaches and ransomware attacks provides evidence of an environment increasingly hostile to information security.

Despite our security measures, and those of our third-party vendors, our information systems, infrastructure, and data have experienced security incidents and breaches and may be subject to or vulnerable to breaches or attacks, including ransomware and distributed denial-of-service attacks. If any breach or attack compromises our networks or those of our vendors, creates system disruptions or slowdowns, or exploits security vulnerabilities or critical security defects of our products and services, the information stored on our networks or the networks of our customers, suppliers or business partners could be accessed and modified, publicly disclosed, lost, destroyed or stolen, and we may be subject to claims for contractual, tort, or equitable liability and suffer reputational and financial harm. In addition, malicious parties may compromise our software, including the open-source software used in our products, or our manufacturing supply chain to embed malicious hardware, components, and software that are designed to defeat or circumvent encryption and other cybersecurity measures to interfere with the operation of our networks, expose us or our products to cyberattacks, or gain unauthorized access to our or our customers’ systems and information. If such actions are successful, they could diminish customer trust in our products, harm our business reputation, and adversely affect our business and financial condition.

Because techniques used by malicious parties to access or sabotage networks are sophisticated, change frequently, and generally are not recognized until after they are used, we may be unable to anticipate or immediately detect these techniques or the vulnerabilities they have caused or other potential vulnerabilities or security defects. Our logging of security incidents may also not be sufficient to identify or fully investigate a cybersecurity incident. Further, when vulnerabilities are discovered, we evaluate the risk, prioritize our responses, apply patches or take other remediation actions and notify customers, business partners, and suppliers, as appropriate. Exploitation of vulnerabilities and critical security defects, prioritization errors in remedying vulnerabilities or security defects, failure of third-party providers to remedy vulnerabilities or security defects, or customers not deploying security releases or deciding not to upgrade products, services or solutions, could, in each case, result in claims of liability against us, damage our reputation or otherwise harm our business.

All of this requires significant resources and attention from management and our employees, and the economic costs to us to eliminate or alleviate these issues could be significant and may be difficult to anticipate or measure. The market perception of the effectiveness of our products and our overall reputation could also be harmed as a result of any actual or perceived breach of security that occurs in our network or in the network of a customer of our products, regardless of whether the breach is attributable to our products, the systems of other vendors and/or to actions of malicious parties. This could impede our sales, manufacturing, distribution, or other critical functions, which could have an adverse impact on our financial results.

Additionally, we could be subject to measures that regulate the security of the types of products we sell. Such regulations may result in increased costs and delays in product releases and changes in features to achieve compliance, which may impact customer demand for our products, and result in regulatory investigations, potential fines, and litigation in connection with a compliance concern, security breach or related issue, and potential liability to third parties arising from such breaches. Further, in response to actual or anticipated cybersecurity regulations or contractual security requirements negotiated with our customers, we may need to make changes to existing policies, processes, and supplier relationships that could impact product offerings, release schedules and service response times, which could adversely affect the demand for and sales of our products and services. We maintain product liability insurance, but there is no guarantee that such insurance will be available or adequate to protect against all such claims. If our business liability insurance coverage is inadequate, or future coverage is unavailable on acceptable terms or at all, our financial condition and results of operations could be harmed.

Disruption in our distribution channels could seriously harm our future revenue and financial condition and increase our costs and expenses. The majority of our revenues are derived through value-added resellers and distributors, most of which also sell our competitors' products, and some of which sell their own competing products. The loss of or reduction in sales to our resellers or distributors could materially reduce our revenues. Our competitors may in some cases be effective in leveraging their market share positions or in providing incentives to resellers and distributors to favor their products or to prevent or reduce sales of our products. If we are unable to develop and maintain relationships with our partners, develop new relationships with value-added resellers and distributors in new markets, expand the number of distributors and resellers in existing markets, manage, train or motivate existing value-added resellers and distributors effectively, or if these partners are not successful in their sales efforts, sales of our products may decrease, and our business, financial condition, and results of operations would suffer. We recognize a portion of our revenues at the time we sell products to our distributors. If these sales are made based on inaccurate or untimely information, the amount or timing of our revenues could be adversely impacted. Further, our distributors may increase orders during periods of product shortages, cancel orders if their inventory is too high, or delay orders in anticipation of new products. They also may adjust their orders in response to the supply of our products and the products of our competitors that are available to them, and in response to seasonal fluctuations in end-user demand.

To develop and expand our distribution channel, we continue to offer attractive channel programs to potential partners and have previously entered into OEM agreements with partners to rebrand and resell our products as part of their product portfolios. These relationships require processes and procedures that may be costly or challenging to implement, maintain, and manage. Our failure to successfully manage and develop our distribution channel could adversely affect our ability to generate revenues from the sale of our products. We also depend on our global channel partners to comply with applicable legal and regulatory requirements. Any failure by our partners to comply with these requirements, could have a material adverse effect on our business, operating results, and financial condition.

We rely on the performance of our business systems and third-party systems and processes. Some of our business processes depend upon our IT systems, the IT systems and processes of third parties, and the interfaces between the two, as well as hosted SaaS applications from third parties. For example, we receive a broad range of information technology services, such as applications, including support, development and maintenance; infrastructure management and support, including for server storage and network devices; and end user support. Some of these services are provided to us through cloud providers, third party providers, and off-site facilities that may be vulnerable to damage or interruption, including performance problems from earthquakes, hurricanes, floods, fires, power loss, telecommunications failures, equipment failures, adverse events caused by operator error, cybersecurity attacks, pandemics, and similar events. In addition, because we lease, rather than own, off-site data center facilities, we cannot be assured that we will be able to expand our data center infrastructure to meet user demand in a timely manner, or on favorable financial terms. If we have issues receiving and processing data, this may delay our ability to provide products and services to our customers and business partners and damage our business. We also rely upon the performance of the systems and processes of our contract manufacturers to build and ship our products. If those systems and processes experience interruption or delay, the manufacture and shipment of our products in a timely manner may be impaired. Since IT is critical to our operations, in addition to the risks outlined above, problems with any of the third parties we rely on for our IT systems and services, could result in liabilities to our customers and business partners, lower revenue and unexecuted efficiencies, and impact our results of operations and our stock price. We could also face significant additional costs or business disruption if our arrangements with these third parties are terminated or impaired and we cannot find alternative services or support on commercially reasonable terms or on a timely basis or if we are unable to hire new employees in order to provide these services in-house.

Our ability to develop, market, and sell products could be harmed if we are unable to retain or hire key personnel. Our success and ability to maintain a technology leadership position depends upon our ability to recruit and retain key management, engineering, technical, sales, marketing, and support personnel. The supply of highly qualified individuals with technological and creative skills, in particular engineers, in specialized areas with the expertise to develop new products and enhancements for our current products, and provide reliable product maintenance, as well as the number of salespeople with industry expertise, is limited. Competition for people with the specialized technical skills we require is significant and may cause us to incur increased compensation expenses to attract and retain employees with the skills to support our business needs. None of our officers or key employees is bound by an employment agreement for any specific term. If we fail to attract new personnel or retain and motivate our current personnel, the development and introduction of new products could be delayed, our ability to market, sell, or support our products could be impaired, and our business, results of operations, and future growth prospects could suffer.

A number of our team members are foreign nationals who rely on visas and entry permits in order to legally work in the U.S. and other countries. In recent years, the U.S. has increased the level of scrutiny in granting H-1B, L-1, and other business visas. Compliance with new and unexpected U.S. immigration and labor laws could also require us to incur additional unexpected labor costs and expenses or could restrain our ability to retain and attract skilled professionals. Any of these restrictions could have a material adverse effect on our business, results of operations, and financial conditions.

Our business could be negatively impacted by oversight of ESG matters and/or our reporting of ESG matters. There is an increasing focus from U.S. and foreign government agencies, investors, customers, consumers, employees, and other stakeholders concerning environmental, social, and governance (“ESG”) matters, including sustainable products. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. For example, developing and acting on ESG initiatives, and collecting, measuring, and reporting ESG information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC’s proposed climate-related reporting requirements, the recently adopted California climate reporting rules and, to the extent applicable, the Corporate Sustainability Reporting Directive. We may communicate certain initiatives and goals, regarding environmental matters, diversity, responsible sourcing and social investments and other related matters, in our Corporate Social Responsibility Report, on our website, in our SEC filings, and elsewhere. These initiatives and goals could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and ensuring the accuracy, adequacy, or completeness of the disclosure of our ESG initiatives can be costly, difficult, and time-consuming. Further, statements about our ESG initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change. We could also face scrutiny from certain stakeholders for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG-related data, processes and reporting are incomplete or inaccurate, if we fail to achieve progress with respect to our ESG goals on a timely basis, or at all, or if we were to be subject to litigation from stakeholders as a result of our ESG initiatives, our business, financial performance and growth could be adversely affected.

LEGAL, REGULATORY, AND COMPLIANCE RISKS

We are a party to lawsuits, investigations, and other disputes. We have been named a party to litigation involving a broad range of matters, including with respect to the Merger, commercial transactions, employment matters, patent infringement, copyrights, trademarks, and other rights to technologies and related standards that are relevant to our products, as well as governmental claims, and securities laws, and we may be named in additional litigation and/or governmental claims. For example, U.S. government agencies previously conducted investigations into possible violations by us of the U.S. Foreign Corrupt Practices Act, or the FCPA, which ultimately resulted in the Company entering into a settlement with the SEC that involved, among other things, the Company making a payment of $11.8 million in August 2019. Future claims or initiated litigation may include claims against us, or our manufacturers, suppliers, partners, or customers. Future claims asserted and/or litigation may be initiated by third parties, including whistleblowers, and may relate to infringement of proprietary rights, issues arising under the False Claims Act, compliance with securities laws, or other matters. The expense of initiating and defending, and in some cases settling, such litigation and investigations may be costly, and may cause us to suffer reputational harm, divert management’s attention from day-to-day operations of our business, and may require us to implement certain remedial measures that could disrupt our business, operations, results of operations, financial condition, or cash flows. In addition, if we fail to comply with the terms of any settlement agreement, we could face more substantial penalties. An unfavorable resolution of one or more of these matters could have a material adverse effect on our business, results of operations, financial condition, or cash flows.

Further, increased patent litigation brought by non-practicing entities may result, and in some cases has resulted, in our customers requesting or requiring us to absorb a portion of the costs of such litigation or providing broader indemnification for litigation, each of which could increase our expenses and negatively affect our business, financial condition, and results of operations. In addition, operating companies may also file patent infringement claims against us either to disrupt our business, or to seek monetization of their patent portfolios. Regardless of the merit of these claims, they may require us to develop alternative technologies, enter into license agreements, or cease engaging in certain activities or offering certain products or services. Furthermore, even arguably unmeritorious claims may be settled at significant costs to us because of the potential for high awards of damages or injunctive relief.

If any infringement or other intellectual property claim made against us or anyone we are required to indemnify is successful and we are required to pay significant monetary awards or damages to settle litigation, enter into royalty or licensing arrangements, or we fail to develop non-infringing technology and we incorporate infringing technology in our products, our business, financial condition, and results of operations could be materially and adversely affected.

Non-standard contract terms with telecommunications, cable, and cloud service provider companies, and other large customers, including large enterprise customers, could have an adverse effect on our business or impact the amount of revenues to be recognized. Telecommunications, cable, and cloud service provider companies, and other large companies, including large enterprise customers, generally have greater purchasing power than smaller entities and often request and receive more favorable terms from suppliers. As one such supplier, we may be required to agree to such terms and conditions, which may include terms that affect the amount or timing of or our ability to recognize revenue, increase our costs, and have an adverse effect on our business, financial condition, and results of operations. Consolidation among such large customers can further increase their buying power and ability to require onerous terms from us.

Regulations of our industry or of our customers could harm our operating results and future prospects. We are subject to laws, regulations, and policies affecting the sale of our products in a number of areas. For example, some governments have regulations prohibiting customers (both government and commercial) from purchasing products that do not meet country-specific safety, conformance, or security certification criteria or in-country test requirements. Other regulations that may negatively impact our business include local content or local manufacturing requirements most commonly applicable for government, state-owned enterprise, or regulated industry procurements. The rapid development and deployment of tools that leverage AI is also causing governments to consider regulation of AI, even for AI that does not pertain to personal data. These types of regulations are in effect or under consideration in several jurisdictions where we do business. For example, the AI Act bans certain AI tools, imposes obligations on developers and users of AI deemed to pose a high-risk, and regulates general purpose AI. This framework may impact the software we use and market in the EU and increase the cost of our product development. The AI Act is expected to come into effect by June 2024.

The SEC requires us, as a public company that uses certain raw materials considered to be “conflict minerals” in our products, to report publicly on the extent to which “conflict minerals” are in our supply chain. As a provider of hardware end-products, we are several steps removed from the mining, smelting, or refining of any conflict minerals. Accordingly, our ability to determine with certainty the origin and chain of custody of these raw materials is limited. Our relationships with customers, suppliers, and investors could suffer if we are unable to provide evidence of due diligence that identifies mineral sourcing risk for our products and steps taken to mitigate sourcing of "conflict minerals." We may also face increased costs in complying with conflict minerals disclosure requirements.

Environmental laws and regulations relevant to electronic equipment manufacturing or operations, including laws and regulations governing the hazardous material content of our products and the collection of and recycling of electrical and electronic equipment, may adversely impact our business and financial condition. In particular, we face increasing complexity in our product design and procurement operations as we adjust to new and expected future requirements relating to the chemical and material composition of our products, their safe use, the energy consumption associated with those products, climate change laws, and regulations and product take-back legislation, which could require us to cease selling non-compliant products and to reengineer our products to use compliant components, which could result in additional costs to us, disrupt our operations, and result in an adverse impact on our operating results. In addition, if we were to violate or become liable under environmental laws or if our products become non-compliant with environmental laws, our customers may refuse to purchase our products and we could incur substantial costs or face other sanctions, which may include restrictions on our products entering certain jurisdictions. The amount and timing of costs to comply with environmental laws are difficult to predict.

In addition, as a contractor and subcontractor to the U.S. government, our IT systems are subject to federal regulations that require compliance with security and privacy controls. Failure to comply with these requirements could result in a loss of federal government business, subject us to claims or other remedies for non-compliance, or negatively impact our business, financial condition, and results of operations.

Further, some government customers have implemented and could continue to implement procurement policies that impact our profitability. Procurement policies favoring more non-commercial purchases, different pricing, or evaluation criteria or government contract negotiation offers based upon the customer’s view of what our pricing should be, could affect the margins on such contracts or make it more difficult to compete on certain types of programs. Moreover, the failure to comply with government contracting provisions could result in penalties or the ineligibility to compete for future contracts. Government customers are continually evaluating their contract pricing and financing practices, and we have no assurance regarding what changes will be proposed, if any, and their impact on our financial position, cash flows, or results of operations.

Moreover, our commercial customers may be subject to regulations and our business and financial condition could be adversely affected by changes in such regulations. Further, we could be affected by new laws or regulations on access to or commerce on IP networks in jurisdictions where we market our solutions. Regulations governing the range of services and business models that can be offered by service providers or cloud provider companies could adversely affect those customers' needs for products. Also, many jurisdictions have or are evaluating regulations relating to cybersecurity, supply chain integrity, privacy and data protection, any of which can affect the market and requirements for networking and security equipment. Additionally, certain countries where our customers operate may require that our products sold in that country be made locally or made in particular geographies, or satisfy local regulations for critical infrastructure projects, either of which could impact our ability to compete in those markets and may also negatively impact our margins due to the costs incurred to comply with these requirements.

The implementation of additional regulations could reduce demand for our products, increase the cost of building and selling our products, result in product inventory write-offs, impact our ability to ship products into affected areas and recognize revenue in a timely manner, require us to spend significant time and expense to comply with, and subject us to fines and civil or criminal sanctions or claims if we were to violate or become liable under such regulations. Any of these impacts could have a material adverse effect on our business, financial condition, and results of operations.

Governmental regulations, economic sanctions and other legal restrictions that affect international trade or affect movement and disposition of our products and component parts could negatively affect our revenues and operating results. The U.S. and other governments have imposed restrictions on the import and export of, among other things, certain telecommunications products and components, particularly those that contain or use encryption technology. Most of our products are telecommunications products that contain or use encryption technology and, consequently, are subject to restrictions. The scope, nature, and severity of such controls vary widely across different countries and may change frequently over time. In many cases, these government restrictions require a license prior to importing or exporting a good. Such licensing requirements can introduce delays into our operations as we or our channel partners must apply for the license and wait for government officials to process it or perform pre-shipment inspections; it is possible that lengthy delays will lead to the cancellation of orders by customers. Moreover, if we, our suppliers, or our channel partners fail to obtain necessary licenses prior to importing or exporting covered goods, we can be subject to government sanctions, including monetary penalties, conditions, and restrictions. Such license requirements, and any fines or other sanctions imposed for their violation could negatively affect our revenues and operating results.

In addition, the U.S. and other governments have especially broad sanctions and embargoes prohibiting provision of goods or services to certain countries, territories, sanctioned governments, businesses, and individuals. We have implemented systems to detect and prevent sales into restricted countries or to prohibited entities or individuals, but there can be no assurance that our third party, downstream resellers, and distributors will abide by these restrictions or have processes in place to ensure compliance.

Certain governments also impose special local content, certification, testing, source code review, escrow, and governmental recovery of private encryption keys, or other cybersecurity feature requirements to protect network equipment and software procured by or for the government. Similar requirements also may be imposed in procurements by state owned entities, public operators, or even private companies forming part of “critical network infrastructure” or supporting sensitive industries.

In recent years, U.S. government officials have had concerns with the security of products and services from certain telecommunications and video providers based in China, Russia, and other regions. As a result, the U.S. government has imposed bans on the use of certain Chinese-origin and Russian-origin components or systems either in items sold to the U.S. government or in the internal networks of government contractors and subcontractors (even if those networks are not used for government-related projects). U.S. regulations also permit the U.S. government to investigate and possibly mandate the unwinding of commercial transactions between U.S. companies and foreign suppliers. This introduces uncertainty into our supply chain, our imports of end products and our overall operational planning.

In May 2021, the U.S. President issued an executive order on cybersecurity that signals the U.S. government’s interest in developing standards and guidelines pertaining to Information and Communication Technology supply chains, government network capabilities and requirements, and cyber threat and vulnerability remediation. These standards and guidelines could impact how we develop hardware and software, what features our products have, and our role in helping the U.S. government respond to cyber threats and vulnerabilities.

In response to Russia's invasion of Ukraine in February 2022, the U.S. and certain allies imposed sanctions against the Russian government and other entities, which led to our suspension of operations in Russia, Belarus, and in the Donetsk, Luhansk, and Crimea regions of Ukraine. Accordingly, we are not able to sell or deliver our products or provide ongoing support services to our customers in Russia, Belarus, and in the Donetsk, Luhansk, and Crimea regions of Ukraine. The response by Russia and other countries to these sanctions could lead to an escalation of political tensions, economic instability in the area, and cyberwarfare. These actions, as well as the effect of such actions on macroeconomic conditions, could have an adverse impact on our business and operations.

Our actual or perceived failure to adequately protect personal data could adversely affect our business, financial condition, and results of operations. A wide variety of provincial, state, national, foreign, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data. These privacy and data protection-related laws and regulations are evolving, extensive, and complex. Compliance with these laws and regulations can be costly and can delay or impede the development and offering of new products and services. In addition, the interpretation and application of privacy and data protection-related laws in some cases is uncertain, and our legal and regulatory obligations are subject to frequent changes, including the potential for various regulator or other governmental bodies to enact new or additional laws or regulations, to issue rulings that invalidate prior laws or regulations, or to increase penalties. Moreover, there are a number of other legislative proposals worldwide, including in the U.S. at both the federal and state level, that could impose additional and potentially conflicting obligations in areas affecting our business. Examples of recent and anticipated developments that have impacted or could impact our business include the following:

- The EU General Data Protection Regulation ("GDPR") imposes stringent data protection requirements and provides significant penalties for noncompliance. As GDPR enforcement evolves, we may find it necessary to make further changes to our handling of personal data of residents of the European Economic Area (“EEA”). The regulatory environment applicable to the handling of EEA residents’ personal data, and our actions in addressing such environment, may cause us to assume additional liabilities or incur additional costs and could result in our business, operating results, and financial condition being harmed. In addition, we and our customers may face a risk of enforcement actions by data protection authorities in the EEA relating to personal data transfers to us and by us from the EEA. Any such enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel, and negatively affect our business, operating results, and financial condition.

- Data protection legislation is also becoming increasingly common in the U.S. at both the federal and state level. State laws that are being enacted may require us to modify our data processing practices and policies, adapt our goods and services, and incur substantial costs and expenses to comply. Some state laws impose civil penalties on violators and authorize private rights of action, both of which might lead to an increase in the frequency and cost associated with data breach litigation.

- The Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data.

- We may be or become subject to data localization laws mandating that data collected in a foreign country be processed and stored within that country.

- Both U.S. federal and state, and non-U.S. governments are considering laws and regulations governing AI and machine learning tools that leverage commercial and consumer data, such as the AI Act. These laws may impact some of our products and services, internal business processes and applications, and procurement of vendor solutions. This may increase our liability risks and cause us to incur additional costs and expenses in order to comply.

- Among other emerging global privacy laws, India has adopted its Digital Personal Data Protection Act of 2023 ("DPDP Act"). Given our significant employee and operational presence in India, passage of the DPDP Act may cause us to implement new processes and policies necessary to comply with the new regulation and incur related additional costs.

Our actual or perceived failure to comply with applicable laws and regulations or other obligations to which we may be subject relating to personal data, or to protect personal data from unauthorized access, use, or other processing, could result in enforcement actions and regulatory investigations against us, claims for damages by customers and other affected individuals, fines, damage to our reputation, and loss of goodwill, any of which could have a material adverse effect on our operations, financial performance, and business. Further, evolving and changing definitions of personal data and personal information, within the EU, the U.S., the U.K., and elsewhere, including the classification of IP addresses, machine identification information, location data, and other information, may limit or inhibit our ability to operate or expand our business, including limiting business relationships and partnerships that may involve the sharing or uses of data, and may require significant costs, resources, and efforts in order to comply.

FINANCIAL RISKS

Our financial condition and results of operations could suffer if there is an impairment of goodwill or purchased intangible assets. As of March 31, 2024, our goodwill was $3,734.3 million, and our purchased intangible assets were $74.6 million. We are required to test intangible assets with indefinite lives, including goodwill, annually or, in certain instances, more frequently, and may be required to record impairment charges, which would reduce any earnings or increase any loss for the period in which the impairment was determined to have occurred. Our goodwill impairment analysis is sensitive to changes in key assumptions used in our analysis. If the assumptions used in our analysis are not realized, it is possible that an impairment charge may need to be recorded in the future. We cannot accurately predict the amount and timing of any impairment of goodwill or other intangible assets. However, any such impairment would have an adverse effect on our results of operations.

Changes in effective tax rates, the adoption of new U.S. or international tax legislation, or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results. Our future effective tax rates and the amount of our taxable income could be subject to volatility or adversely affected by the following: earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated earnings in countries where we have higher statutory rates; changes in the valuation of our deferred tax assets and liabilities; changes in the research and development (“R&D”) tax laws applicable to us; transfer pricing adjustments related to certain acquisitions, including the license of acquired intangibles under our intercompany R&D cost sharing arrangement; costs related to intercompany restructuring; tax effects of share-based compensation; challenges to our methodologies for valuing developed technology or intercompany arrangements; limitations on the deductibility of net interest expense; or changes in tax laws, regulations, accounting principles, or interpretations thereof. Our future effective tax rate may be impacted by judicial decisions, changes in interpretation of regulations, as well as additional legislation and guidance.

Proposals to reform U.S. and foreign tax laws could significantly impact how U.S. multinational corporations are taxed on foreign earnings and could increase the U.S. corporate tax rate. Several of the proposals currently being considered, if enacted into law, could have an adverse impact on our effective tax rate, income tax expense, and cash flows. Further, the Organisation for Economic Co-operation and Development (the “OECD”), an international association of 38 countries, including the U.S., has issued guidelines that change long-standing tax principles. The OECD guidelines may introduce tax uncertainty as countries amend their tax laws to adopt certain parts of the guidelines. Some countries have enacted, and others have proposed, taxes based on gross receipts applicable to digital services, regardless of profitability. Substantially all member countries of the OECD/G20 Inclusive Framework agreed to certain tax principles, including a global minimum tax of 15%. In December 2022, the EU reached unanimous agreement, in principle, to implement the global minimum tax. Several countries have either initiated legislation to adopt or enacted global minimum tax provisions, which are intended to be effective for tax years beginning after 2023. Additional changes to global tax laws are likely to occur, and such changes may adversely affect our tax liability.

In addition, we are generally subject to the continuous examination of our income tax returns by the Internal Revenue Service, and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes, but the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. The ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

We are subject to risks arising from our international operations, which may adversely affect our business, financial condition, and results of operations. We derive a substantial portion of our revenues from our international operations, and we plan to continue expanding our business in international markets. We conduct significant sales and customer support operations directly and indirectly through our distributors and value-added resellers in countries throughout the world and depend on the operations of our contract manufacturers and suppliers that are located outside of the U.S. In addition, a portion of our R&D and our general and administrative operations are conducted outside the U.S. As a result of our international operations, we are affected by economic, business, regulatory, social, and political conditions in foreign countries, including the following:

- changes in general IT spending;
- global macroeconomic conditions, including recessionary cycles;
- the imposition of government controls, inclusive of critical infrastructure protection;
- changes in trade controls, economic sanctions, or other international trade regulations, which have in general recently trended toward increasing breadth and complexity of controls, and which may affect our ability to import or export our products to or from various countries;
- laws that restrict sales of products that are developed, manufactured, or incorporate components or assemblies sourced from certain countries or suppliers to specific customers and industry segments, or for particular uses;
- varying and potentially conflicting laws and regulations, changes in laws and interpretation of laws, misappropriation of intellectual property and reduced intellectual property protection;
- political uncertainty, including demonstrations, that could have an impact on product delivery;
- impact of geopolitical tensions, challenges, and uncertainties as a result of armed conflicts (Middle East conflicts, including the Israel-Hamas war and conflicts related to the attacks on cargo ships in the Red Sea) and resulting sanctions imposed by the U.S. and other countries against governmental or other entities, that may lead to disruption, instability, and volatility in global and regional financial markets, as well as higher inflation, increases in prices of commodities, and disruptions to supply chains;
- increased tensions among the U.S., the North Atlantic Treaty Organization, and Russia that could increase the threat of armed conflict, cyberwarfare and economic instability and could disrupt or delay operations or resources in Ukraine or Russia, disrupt or delay communication with such resources or the flow of funds to support operations, or otherwise render our resources unavailable;

- fluctuations in local economies, including inflationary conditions that could make our solutions more expensive or could increase our costs of doing business in certain countries;
- fluctuations in currency exchange rates (see Quantitative and Qualitative Disclosures about Market Risk for more information);
- tax policies, treaties, or laws that could have an unfavorable business impact;
- the negotiation and implementation of free trade agreements between the U.S. and other nations;
- data privacy rules and other regulations that affect cross border data flow;
- the impact of adverse public health emergencies, in the countries in which we operate or where our customers are located; and
- theft or unauthorized use or publication of our intellectual property and other confidential business information.

Any or all of these factors has or could have an adverse impact on our business, financial condition, and results of operations.

In particular, local laws and customs in many countries differ significantly from or conflict with those in the U.S. or in other countries in which we operate. In many foreign countries, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations. Certain countries (such as Russia, China, and EU member nations with regard to Iran trade) prohibit individuals and companies resident in or operating within their borders to comply with foreign sanctions imposed on such countries themselves or on third countries. Our employees, contractors, channel partners, and agents may fail to comply with U.S. and foreign laws and policies in violation of our policies and procedures, which are designed to help ensure compliance with U.S. and foreign laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners, or agents could result in termination of our relationship, financial reporting problems, fines, and/or penalties for us, or prohibition on the importation or exportation of our products and could have a material adverse effect on our business, financial condition, and results of operations.

There are risks associated with our outstanding and future indebtedness. As of March 31, 2024, we had $1,700.0 million in aggregate principal amount of outstanding senior notes, which we refer to collectively as the “Notes”. In June 2023, we entered into a new credit agreement (the “Credit Agreement”) with certain institutional lenders that provides for a five-year $500.0 million unsecured revolving credit facility, with an option to increase the credit facility by up to an additional $200.0 million, subject to the lenders' approval.

We may not be able to generate sufficient cash flow to enable us to satisfy our expenses, make anticipated capital expenditures or service our indebtedness, including the Notes. Our ability to pay our expenses, satisfy our debt obligations, refinance our debt obligations and fund planned capital expenditures is dependent upon our future performance, restrictions imposed on the Company by the Merger Agreement during the interim period between the signing of the Merger Agreement and the closing of the Merger, and our ability to manage these risks in addition to other factors discussed in this section.

The indenture that governs the Notes contains various covenants that limit our ability and the ability of our subsidiaries to, among other things: grant liens, incur sale and leaseback transactions, and consolidate or merge with or into, or sell substantially all of our assets to another person. Further, the Credit Agreement contains one financial covenant along with customary affirmative and negative covenants that include the following:

- maintenance of a leverage ratio no greater than 3.0x (provided that if a material acquisition has been consummated, we are permitted to maintain a leverage ratio no greater than 3.5x for up to four quarters); and
- covenants that limit or restrict the ability of the Company and its subsidiaries to, among other things, grant liens, merge or consolidate, dispose of all or substantially all of its assets, change their accounting or reporting policies, change their business and incur subsidiary indebtedness, in each case subject to customary exceptions for a credit facility of this size and type.

As a result of these covenants, we are limited in the manner in which we can conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs. Accordingly, these restrictions may limit our ability to successfully operate our business. In addition, under applicable U.S. tax laws and regulations, there are limitations on the deductibility of net business interest expenses. As a result, if our taxable income were to decline, we may not be able to fully deduct our net interest expense, which could have a material impact on our business.

Further, we receive debt ratings from the major credit rating agencies in the U.S. Factors that influence our credit ratings include HPE's rating and outlook and our financial strength, as well as our transparency with rating agencies and timeliness of financial reporting. We may not be able to maintain our credit ratings and failure to do so could adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets.

Our investments are subject to risks, which may cause losses and affect the liquidity of these investments. We have substantial investments in asset-backed and mortgage-backed securities, certificates of deposit, commercial paper, corporate debt securities, foreign government debt securities, money market funds, mutual funds, time deposits, U.S. government agency securities, and U.S. government securities. We also have investments in privately-held companies, including equity and debt securities. Certain of our investments are subject to general credit, liquidity, market, sovereign debt, and interest rate risks. Our future investment income may fall short of expectations due to changes in interest rates, or if the decline in fair value related to creditworthiness of our publicly traded debt investments is judged to be material, or due to certain inherent risks involved in investments in early-stage privately-held companies. For example, we have recognized and may in the future recognize additional losses on an investment, if we determine that an investment without readily determinable fair value is not likely to be recovered. In addition, should financial market conditions worsen in the future, investments in some financial instruments may be subject to risks arising from market liquidity and credit concerns, which could have a material adverse effect on our liquidity, financial condition, and results of operations.

GENERAL RISK FACTORS

Failing to adequately evolve our financial and managerial control and reporting systems and processes, or any weaknesses in our internal controls may adversely affect investor perception, and our stock price. We will need to continue to improve our financial and managerial control and our reporting systems and procedures to manage and grow our business effectively in the future. We are required to assess the effectiveness of our internal control over financial reporting annually and to disclose in our filing if such controls were unable to provide assurance that a material error would be prevented or detected in a timely manner. If in the future, our internal controls over financial reporting are determined to not be effective, resulting in a material weakness, investor perceptions regarding the reliability of our financial statements may be adversely affected, which could cause a decline in the market price of our stock and otherwise negatively affect our liquidity and financial condition.

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum. The exclusive forum provisions in our bylaws may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our current or former directors, officers, or other employees, which may discourage such lawsuits against us and our current or former directors, officers, and other employees. These provisions do not apply to suits brought to enforce a duty or liability created by the Securities Act of 1933, as amended, or the Exchange Act or any other claim for which the federal courts have exclusive or concurrent jurisdiction. Alternatively, if a court were to find the exclusive forum provisions contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could have a material and adverse impact on our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In January 2018, our Board approved a $2.0 billion share repurchase program ("2018 Stock Repurchase Program"). In October 2019, the Board authorized a $1.0 billion increase to the 2018 Stock Repurchase Program for a total of $3.0 billion.

As of March 31, 2024, there was approximately $0.2 billion of authorized funds remaining under the 2018 Stock Repurchase Program. In connection with our entry into the Merger Agreement, we are required to suspend our stock repurchase program, and we did not repurchase our common stock during the three months ended March 31, 2024. See Note 8, Equity, in Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

During the fiscal quarter ended March 31, 2024, none of our directors or officers informed us of the adoption or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K, Item 408, except as described in the table below:

Name & Title	Date Adopted	Character of Trading Arrangement	Aggregate Number of Shares of Common Stock to be Purchased or Sold Pursuant to Trading Arrangement	Duration	Other Material Terms	Date Terminated
Kenneth Miller, Chief Financial Officer	February 21, 2024	Rule 10b5-1 Trading Arrangement[1]	Up to 188,669 shares	September 30, 2024[2]	N/A	N/A

[1] This trading arrangement marked as a “Rule 10b5-1 Trading Arrangement” is intended to satisfy the affirmative defense of Rule 10b5-1(c), as amended (the “Rule”).

[2] This trading arrangement permitted or permits transactions through and including the earlier to occur of (i) the completion of all purchases or sales or (ii) the date listed in the table. Each trading arrangement marked as a “Rule 10b5-1 Trading Arrangement” only permitted or only permits transactions upon expiration of the applicable mandatory cooling-off period under the Rule. This arrangement also provides for termination upon (i) death, bankruptcy or insolvency of the officer, (ii) transfer of account assets, (iii) termination or material amendment by the officer, (iv) failure of the officer to comply with applicable law or the terms of the arrangement, (v) public announcement of a tender of the Company's securities, (vi) a definitive acquisition agreement of the Company subjecting the officer's securities to a lock-up provision, (vii) change of control of the Company, (viii) dissolution, liquidation or bankruptcy event of the Company, or (ix) the arrangement violates laws or causes a breach of a contract of the Company.

Item 6. Exhibits

Exhibit No.	Exhibit	Incorporated by Reference			
		Filing	Exhibit No.	File No.	File Date
2.1	Agreement and Plan of Merger, dated as of January 9, 2024, by and among Juniper Networks, Inc., Hewlett Packard Enterprise Company, and Jasmine Acquisition Sub, Inc.	8-K	2.1	001-34501	1/10/2024
3.1	Certificate of Amendment to the Restated Certificate of Incorporation of Juniper Networks, Inc. dated April 2, 2024.	8-K	3.1	001-34501	4/2/2024
3.2	Restated Certificate of Incorporation of Juniper Networks, Inc.	8-K	3.2	001-34501	4/2/2024
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934*				
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934*				
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350**				
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350**				
101	The following materials from Juniper Network Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in iXBRL (inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Changes in Stockholders' Equity, and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text*				
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (included in Exhibit 101)*				

* Filed herewith

** Furnished herewith

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 thereunto duly authorized.

Juniper Networks, Inc.

April 26, 2024	By: /s/ Thomas A. Austin
	Thomas A. Austin
	Group Vice President and Chief Accounting Officer (Duly Authorized Officer and Principal Accounting Officer)