



Juniper Networks Inc. (JNPR)

Updated July 26th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$37	5 Year CAGR Estimate:	4.0%	Market Cap:	\$12 B
Fair Value Price:	\$26	5 Year Growth Estimate:	9.0%	Ex-Dividend Date¹:	08/30/2024
% Fair Value:	142%	5 Year Valuation Multiple Estimate:	-6.8%	Payment Date²:	09/23/2024
Dividend Yield:	2.4%	5 Year Price Target	\$40	Years Of Dividend Growth:	2
Dividend Risk Score:	D	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Juniper Networks was founded in February 1996 by Pradeep Sindhu. Juniper aims to solve the world's most difficult problems in networking technology through its products, solutions and services which connect the globe. Juniper designs, develops, and sells switching, routing, security, software products and services for the networking industry. The company trades on the NYSE under the ticker JNPR and is headquartered in Sunnyvale, California. JNPR sells its solutions in more than 150 countries. Juniper's customers include the world's biggest wired and wireless carriers, content and internet service providers, cloud and data center providers, cable and satellite operators, major banks and financial institutions, government agencies, healthcare and educational institutions, and energy and utility companies. In 2023, the company earned \$5.6 billion in revenue.

On January 9th, 2024, Hewlett Packard Enterprise (HPE) announced it plans to acquire Juniper Networks for \$40.00 per share, for a value of \$14 billion, in cash. The deal is expected to close in late 2024 or early 2025. It is dependent on regulatory approvals, but has already received shareholder approval. Juniper has suspended its share repurchases under the terms of this merger agreement.

Juniper Networks reported second quarter 2024 results on July 25th, 2024. Net revenues for the quarter were \$1.19 billion, down 17% year-over-year. GAAP net income for the quarter was \$0.10 per share, a 43% increase over \$0.07 in the same prior year period. Non-GAAP net income was \$0.31 per share, a 47% decrease over \$0.58 in second quarter 2023.

The company repurchased \$14.6 million of common stock for retirement year-to-date. Total cash, cash equivalents and investments were \$1.43 billion at quarter-end.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.05	\$1.61	\$1.65	\$2.11	\$1.88	\$1.72	\$1.55	\$1.74	\$1.95	\$2.26	\$1.69	\$2.60
DPS	\$0.20	\$0.40	\$0.40	\$0.40	\$0.72	\$0.76	\$0.80	\$0.80	\$0.84	\$0.88	\$0.88	\$1.12
Shares³	416.2	384.0	381.1	365.5	346.4	335.9	335.2	331.6	329.5	325.9	325.0	315.0

Juniper has produced an EPS CAGR of 8.9% and 3.8% for the trailing nine and five years. Barring the acquisition by HPE, Juniper can be reasonably expected to grow adjusted EPS by 9.0% over the next five years. Meanwhile, we expect the dividend to grow at a 5.0% annual rate, ultimately reaching \$1.12 in 2029.

The company has many growth drivers and tailwinds in the business. The Enterprise business is expected to grow at double-digits (which it has done in the last two years) and is recognized as a market leader in multiple use cases for Artificial Intelligence with its Mist AI platform. The company will expand its automated WAN services into high-growth 5G-ready Metro markets. The Cloud segment, which has been facing order weakness recently, is now showing signs of

¹ Estimate

² Estimate

³ In millions

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reversal as of second quarter 2024. Additionally, JNPR expects to repurchase shares to offset dilution, and when it is opportunistic, such as in a market crash if liquidity is available, though its share repurchase plan is currently suspended.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	22.8	16.4	14.8	13.3	14.5	15.0	14.7	15.9	15.9	13.1	22.1	15.5
Avg. Yld.	0.8%	1.5%	1.6%	1.4%	2.6%	2.9%	3.5%	2.9%	2.6%	2.9%	2.4%	2.8%

Juniper's price-to-earnings ratio has steadily come down over the last decade, as shareholders don't see the same level of growth as in the past. We believe the company earns a valuation of 15.5 times earnings, which implies a valuation headwind. The current stock price is elevated due to the merger agreement with HPE.

Safety, Quality, Competitive Advantage, & Recession Resiliency

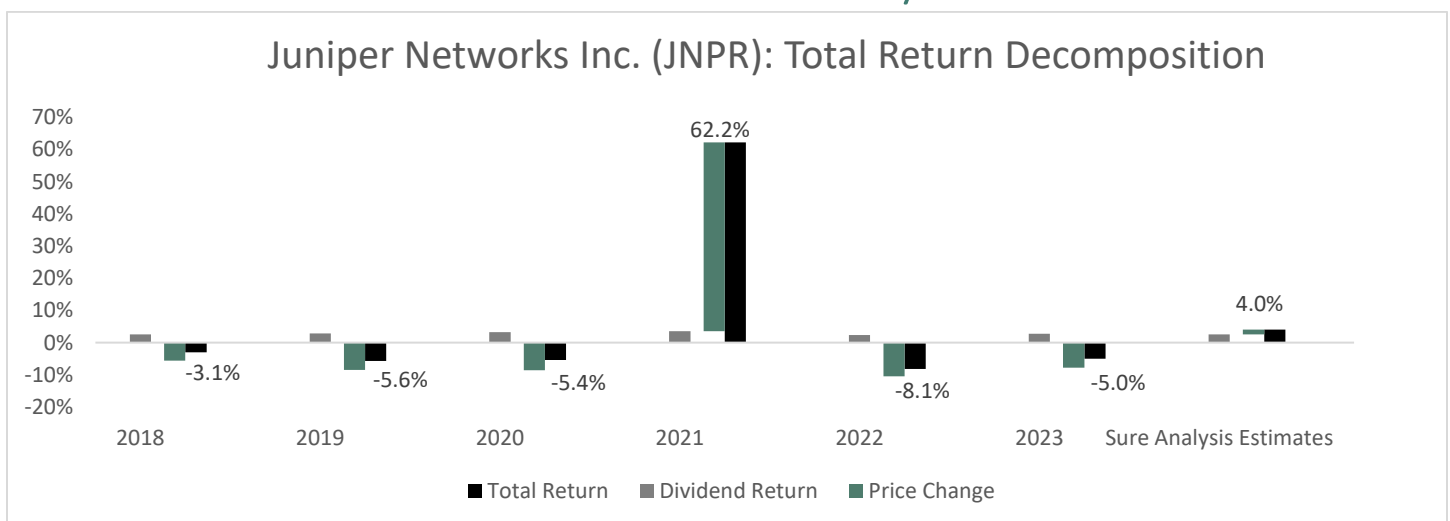
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	19%	25%	24%	19%	38%	44%	52%	46%	43%	39%	52%	43%

The company was not significantly impacted by the great financial crisis, or the COVID pandemic, as the nature of the business is essential in bright and dark economic environments. Many of JNPR's clients will operate year-round as they are also businesses, institutions, or agencies. If many of its clients were to declare bankruptcy, this would affect the company, but most are large and steady businesses. Today the dividend payout is fairly safe, and we see room for growth, but the payout ratio is quickly increasing so we expect growth to slow. Juniper claims that some of its services' technicalities offer a competitive advantage, such as their weekly Cloud pushes with limited downtime, AI-driven assistant who supports self-driving, and the focus on secure user experiences, customizable Wi-Fi service levels and real-time anomaly detection. Additionally, its WAN technology can achieve up to 30% lower telco and hosting costs. The company also relies on their patents for an advantage in the business.

Final Thoughts & Recommendation

Juniper has solid growth tailwinds moving forward. While the company is in the technology space, it does not have the growth or valuation as might be expected. Shares of JNPR have soared 26% year-to-date, driven by the proposed merger agreement with HPE. We forecast total annualized return potential of 4.0%. We also see the company as trading at 142% of fair value. Juniper earns a hold rating. The spread between the current share price and the transaction price has narrowed greatly since our last report, from 15% prior to 7% now.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	4,627	4,858	4,990	5,027	4,648	4,445	4,445	4,735	5,301	5,564
Gross Profit	2,858	3,079	3,105	3,072	2,741	2,617	2,574	2,740	2,958	3,202
Gross Margin	61.8%	63.4%	62.2%	61.1%	59.0%	58.9%	57.9%	57.9%	55.8%	57.5%
SG&A Exp.	1,255	1,173	1,198	1,178	1,159	1,184	1,194	1,303	1,383	1,489
D&A Exp.	186	177	207	226	211	210	212	237	218	195
Operating Profit	597	911	893	914	580	478	421	430	539	568
Operating Margin	12.9%	18.8%	17.9%	18.2%	12.5%	10.7%	9.5%	9.1%	10.2%	10.2%
Net Profit	(334)	634	593	306	567	345	258	253	471	310
Net Margin	-7.2%	13.0%	11.9%	6.1%	12.2%	7.8%	5.8%	5.3%	8.9%	5.6%
Free Cash Flow	571	689	912	1,108	714	419	512	590	-8	713
Income Tax	248	219	235	506	(34)	69	7	57	61	29

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	8,281	8,608	9,657	9,834	9,363	8,838	9,378	10,326	9,327	9,518
Cash & Equivalents	1,640	1,421	1,833	2,007	2,489	1,216	1,362	2,284	880	1,068
Accounts Receivable	599	781	1,054	852	755	880	964	578	1,227	1,044
Inventories	55	91	91	94	81	91	210	38	619	952
Goodwill & Int. Ass.	3,053	3,015	3,212	3,224	3,227	3,523	3,936	4,255	3,895	3,826
Total Liabilities	3,362	4,034	4,694	5,153	4,540	4,227	4,835	3,024	4,852	5,026
Accounts Payable	235	159	221	218	209	220	277	200	347	295
Long-Term Debt	1,349	1,937	2,134	2,136	2,139	1,684	2,127	999	1,601	1,617
Shareholder's Equity	4,919	4,574	4,963	4,681	4,823	4,611	4,544	7,302	4,475	4,493
LTD/E Ratio	0.27	0.42	0.43	0.46	0.44	0.37	0.47	0.14	0.36	0.36

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	-3.6%	7.5%	6.5%	3.1%	5.9%	3.8%	2.8%	2.8%	5.2%	3.3%
Return on Equity	-5.5%	13.4%	12.4%	6.4%	11.9%	7.3%	5.6%	5.7%	10.7%	6.9%
ROIC	-4.6%	9.9%	8.7%	4.4%	8.2%	5.2%	4.0%	4.0%	7.8%	5.1%
Shares Out.	416.2	384.0	381.1	365.5	346.4	335.9	332.7	331.6	329.5	325.9
Revenue/Share	10.12	12.16	12.87	13.08	13.11	12.77	13.26	14.28	16.09	17.07
FCF/Share	1.25	1.73	2.35	2.88	2.01	1.20	1.53	1.78	-0.02	2.19

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.