



# Juniper Networks Inc. (JNPR)

Updated July 28<sup>th</sup>, 2023 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$28	<b>5 Year CAGR Estimate:</b>	11.9%	<b>Market Cap:</b>	\$9.5 B
<b>Fair Value Price:</b>	\$34	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	08/31/2023
<b>% Fair Value:</b>	81%	<b>5 Year Valuation Multiple Estimate:</b>	4.2%	<b>Payment Date<sup>2</sup>:</b>	09/22/2023
<b>Dividend Yield:</b>	3.2%	<b>5 Year Price Target</b>	\$44	<b>Years Of Dividend Growth:</b>	2
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Buy

## 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 2022, the company earned \$5.3 billion in revenue.

Juniper Networks reported second quarter 2023 results on July 27<sup>th</sup>, 2023. Net revenues for the quarter were \$1.43 billion, up 13% year-over-year. GAAP net income for the quarter was \$0.07 per share, an 80% decline over \$0.35 in the same prior year period. Non-GAAP net income was \$0.58 per share, a 38% increase over \$0.42 in second quarter 2022.

The company repurchased \$271 million of common stock for retirement in Q2 2023. Total cash, cash equivalents and investments were \$1.3 billion at quarter-end.

Leadership has provided guidance for third quarter 2023 results. The company is expecting revenue of \$1.39 billion for the third quarter, and non-GAAP net income per share of roughly \$0.54, plus or minus \$0.05.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$0.89	\$1.05	\$1.61	\$1.65	\$2.11	\$1.88	\$1.72	\$1.55	\$1.74	\$1.94	<b>\$2.29</b>	<b>\$2.92</b>
<b>DPS</b>	\$0.00	\$0.20	\$0.40	\$0.40	\$0.40	\$0.72	\$0.76	\$0.80	\$0.80	\$0.84	<b>\$0.88</b>	<b>\$1.12</b>
<b>Shares<sup>3</sup></b>	495.2	416.2	384.0	381.1	365.5	346.4	335.9	335.2	331.6	329.5	<b>327.0</b>	<b>315.0</b>

Over the past nine years, Juniper has grown earnings by roughly 9% on average per year. Over the past five years, EPS has fallen slightly as the pandemic impacted recent results, and in 2017 the company reported impressive results. The company expects to grow revenue by roughly 15% in 2023, as well as improve its operating margin by over 100 basis points. The dividend is expected to grow along with earnings. We estimate that Juniper can grow EPS by 5% over the next five years, and the dividend will grow at the same rate.

The company has many growth drivers and tailwinds in the business. The Enterprise business is expected to grow at double-digits and is recognized as a market leader in multiple use cases for Artificial Intelligence with its Mist AI platform. The company will expand their automated WAN services into high-growth 5G-ready Metro markets. The Cloud segment, however, is currently facing near-term order weakness. Additionally, JNPR will repurchase shares to offset dilution, and when it is opportunistic, such as in a market crash if liquidity is available.

<sup>1</sup> Estimate

<sup>2</sup> Estimate

<sup>3</sup> In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	22.3	22.8	16.4	14.8	13.3	14.5	15.0	14.7	15.9	16.0	12.2	15.0
Avg. Yld.	0.0%	0.8%	1.5%	1.6%	1.4%	2.6%	2.9%	3.5%	2.9%	2.6%	3.2%	2.6%

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 15.0 times earnings, which implies a valuation tailwind.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

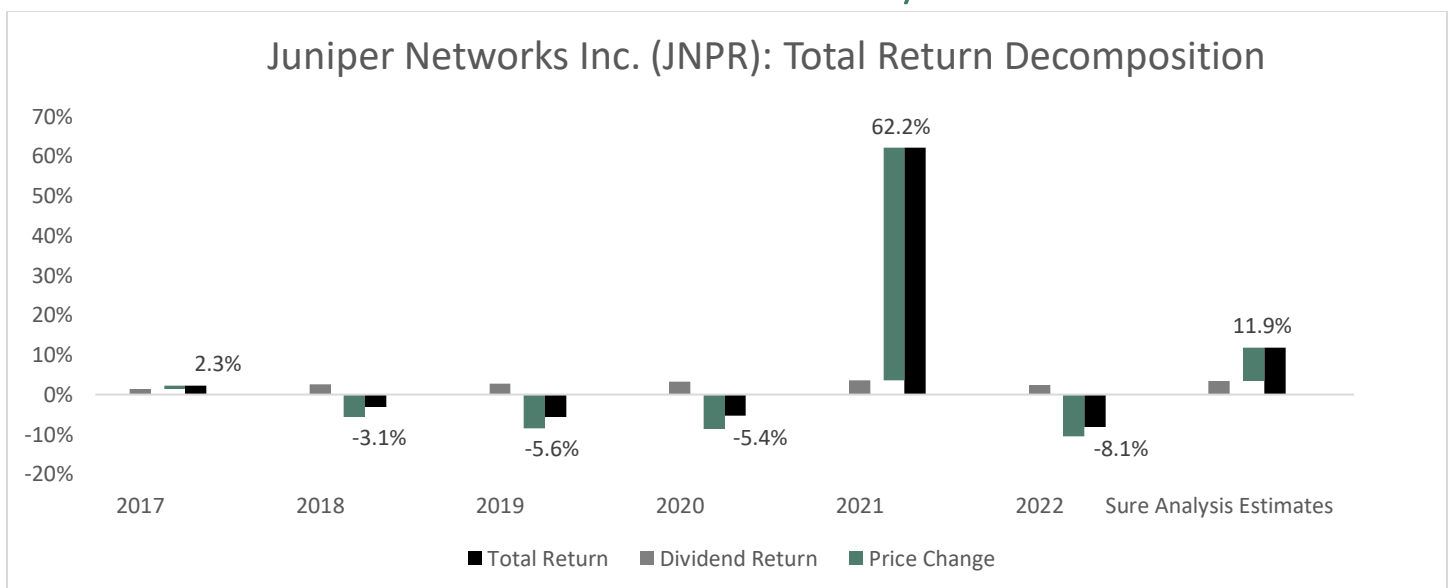
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	0%	19%	25%	24%	19%	38%	44%	52%	46%	43%	38%	38%

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 their clients were to declare bankruptcy, this would affect the company, but most are large and steady. Today the dividend payout is fairly safe, and we see room for growth, but the payout ratio is quickly increasing so we expect growth will slow. Juniper claims that some of their 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, their 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 is expecting a better growth runway ahead of it than it has experienced in the last five years, and we see this as reasonable. The company is in the technology space but does not have the growth or valuation as might be expected, and we forecast total annual returns to come in around 11.9%. We also see the company as trading at 81% of fair value. Juniper earns a buy rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	4,669	4,627	4,858	4,990	5,027	4,648	4,445	4,445	4,735	5,301
<b>Gross Profit</b>	2,941	2,858	3,079	3,105	3,072	2,741	2,617	2,574	2,740	2,958
<b>Gross Margin</b>	63.0%	61.8%	63.4%	62.2%	61.1%	59.0%	58.9%	57.9%	57.9%	55.8%
<b>SG&amp;A Exp.</b>	1,293	1,255	1,173	1,198	1,178	1,159	1,184	1,194	1,303	1,383
<b>D&amp;A Exp.</b>	190	186	177	207	226	211	210	212	237	218
<b>Operating Profit</b>	605	597	911	893	914	580	478	421	430	539
<b>Operating Margin</b>	13.0%	12.9%	18.8%	17.9%	18.2%	12.5%	10.7%	9.5%	9.1%	10.2%
<b>Net Profit</b>	440	(334)	634	593	306	567	345	258	253	471
<b>Net Margin</b>	9.4%	-7.2%	13.0%	11.9%	6.1%	12.2%	7.8%	5.8%	5.3%	8.9%
<b>Free Cash Flow</b>	606	571	689	912	1,108	714	419	512	590	-8
<b>Income Tax</b>	86	248	219	235	506	(34)	69	7	57	61

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2013	2022
<b>Total Assets</b>	10,326	8,281	8,608	9,657	9,834	9,363	8,838	9,378	10,326	9,327
<b>Cash &amp; Equivalents</b>	2,284	1,640	1,421	1,833	2,007	2,489	1,216	1,362	2,284	880
<b>Accounts Receivable</b>	578	599	781	1,054	852	755	880	964	578	1,227
<b>Inventories</b>	38	55	91	91	94	81	91	210	38	619
<b>Goodwill &amp; Int. Ass.</b>	4,255	3,053	3,015	3,212	3,224	3,227	3,523	3,936	4,255	3,895
<b>Total Liabilities</b>	3,024	3,362	4,034	4,694	5,153	4,540	4,227	4,835	3,024	4,852
<b>Accounts Payable</b>	200	235	159	221	218	209	220	277	200	347
<b>Long-Term Debt</b>	999	1,349	1,937	2,134	2,136	2,139	1,684	2,127	999	1,601
<b>Shareholder's Equity</b>	7,302	4,919	4,574	4,963	4,681	4,823	4,611	4,544	7,302	4,475
<b>LTD/E Ratio</b>	0.14	0.27	0.42	0.43	0.46	0.44	0.37	0.47	0.14	0.36

## Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Return on Assets</b>	4.4%	-3.6%	7.5%	6.5%	3.1%	5.9%	3.8%	2.8%	2.8%	5.2%
<b>Return on Equity</b>	6.2%	-5.5%	13.4%	12.4%	6.4%	11.9%	7.3%	5.6%	5.7%	10.7%
<b>ROIC</b>	5.4%	-4.6%	9.9%	8.7%	4.4%	8.2%	5.2%	4.0%	4.0%	7.8%
<b>Shares Out.</b>	495.2	416.2	384.0	381.1	365.5	346.4	335.9	332.7	331.6	329.5
<b>Revenue/Share</b>	9.15	10.12	12.16	12.87	13.08	13.11	12.77	13.26	14.28	16.09
<b>FCF/Share</b>	1.19	1.25	1.73	2.35	2.88	2.01	1.20	1.53	1.78	-0.02

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