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 September 30, 2021

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 ☒ No ☐

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 and post such files). Yes ☒ No ☐

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. ☐

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

There were 325,181,113 shares of the Company's Common Stock, par value $0.00001, outstanding as of October 27, 2021.

Juniper Networks, Inc.

Table of Contents

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net revenues:				
Product	$ 771.9	$ 733.7	$ 2,203.5	$ 2,034.8
Service	416.9	404.5	1,232.0	1,187.7
Total net revenues	1,188.8	1,138.2	3,435.5	3,222.5
Cost of revenues:				
Product	343.4	327.7	1,010.3	918.4
Service	153.2	152.7	435.5	447.4
Total cost of revenues	496.6	480.4	1,445.8	1,365.8
Gross margin	692.2	657.8	1,989.7	1,856.7
Operating expenses:				
Research and development	251.8	242.4	752.3	715.9
Sales and marketing	263.4	229.3	773.9	692.7
General and administrative	55.0	59.8	187.1	178.2
Restructuring charges	1.9	1.2	42.8	14.9
Total operating expenses	572.1	532.7	1,756.1	1,601.7
Operating income	120.1	125.1	233.6	255.0
Loss on extinguishment of debt	—	—	(60.6)	—
Other expense, net	(8.3)	(13.5)	(24.2)	(29.0)
Income before income taxes	111.8	111.6	148.8	226.0
Income tax provision (benefit)	22.9	(33.8)	29.0	(1.0)
Net income	$ 88.9	$ 145.4	$ 119.8	$ 227.0
Net income per share:				
Basic	$ 0.27	$ 0.44	$ 0.37	$ 0.69
Diluted	$ 0.27	$ 0.43	$ 0.36	$ 0.68
Weighted-average shares used to compute net income per share:				
Basic	324.0	330.9	325.0	330.9
Diluted	331.1	334.5	331.4	335.2

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	$ 88.9	$ 145.4	$ 119.8	$ 227.0
Other comprehensive (loss) income, net:				
Available-for-sale debt securities:				
Change in net unrealized gains (losses)	(0.6)	0.5	(0.5)	6.2
Net realized gains reclassified into net income	(0.1)	(0.8)	(1.1)	(0.5)
Net change on available-for-sale debt securities	(0.7)	(0.3)	(1.6)	5.7
Cash flow hedges:				
Change in net unrealized gains (losses)	(4.2)	29.8	14.6	21.0
Net realized (gains) and losses reclassified into net income	(5.4)	1.0	(21.5)	8.5
Net change on cash flow hedges	(9.6)	30.8	(6.9)	29.5
Change in foreign currency translation adjustments	(1.6)	7.6	(3.1)	(1.5)
Other comprehensive (loss) income, net	(11.9)	38.1	(11.6)	33.7
Comprehensive income	$ 77.0	$ 183.5	$ 108.2	$ 260.7

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.

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

	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,010.7	$ 1,361.9
Short-term investments	321.1	412.1
Accounts receivable, net of allowances	774.3	964.1
Inventory*	223.2	210.2
Prepaid expenses and other current assets*	410.3	322.9
Total current assets	2,739.6	3,271.2
Property and equipment, net	715.4	762.3
Operating lease assets	174.1	184.6
Long-term investments	504.0	656.6
Purchased intangible assets, net	295.1	266.7
Goodwill	3,754.1	3,669.6
Other long-term assets	539.1	567.3
Total assets	$ 8,721.4	$ 9,378.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 269.7	$ 277.0
Accrued compensation	240.9	270.7
Deferred revenue	829.8	867.3
Short-term debt	—	421.5
Other accrued liabilities	298.7	324.6
Total current liabilities	1,639.1	2,161.1
Long-term debt	1,692.0	1,705.8
Long-term deferred revenue	451.3	418.5
Long-term income taxes payable	327.2	312.5
Long-term operating lease liabilities	154.9	163.5
Other long-term liabilities	73.1	73.4
Total liabilities	4,337.6	4,834.8
Commitments and contingencies (Note 15)		
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; 325.1 shares and 327.7 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	7,036.8	7,156.9
Accumulated other comprehensive income	44.0	55.6
Accumulated deficit	(2,697.0)	(2,669.0)
Total stockholders' equity	4,383.8	4,543.5
Total liabilities and stockholders' equity	$ 8,721.4	$ 9,378.3

(*): The prior period amount has been reclassified to conform to the current period presentation. Previously, Inventory was reported as Prepaid expenses and other current assets.

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.

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

	Nine Months Ended September 30,	
	2021	**2020**
Cash flows from operating activities:		
Net income	$ 119.8	$ 227.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	162.9	138.7
Depreciation, amortization, and accretion	179.3	158.0
Operating lease assets expense	34.5	31.5
Loss on extinguishment of debt	60.6	—
Other	6.5	2.6
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	189.1	126.1
Prepaid expenses and other assets	(70.8)	(43.8)
Accounts payable	(7.4)	50.2
Accrued compensation	(27.2)	(31.6)
Income taxes payable	1.9	(60.1)
Other accrued liabilities	(70.7)	(23.8)
Deferred revenue	(4.8)	(88.6)
Net cash provided by operating activities	573.7	486.2
Cash flows from investing activities:		
Purchases of property and equipment	(69.5)	(67.9)
Purchases of available-for-sale debt securities	(508.7)	(831.9)
Proceeds from sales of available-for-sale debt securities	422.3	198.7
Proceeds from maturities and redemptions of available-for-sale debt securities	331.8	746.6
Purchases of equity securities	(8.3)	(9.4)
Proceeds from sales of equity securities	5.6	4.6
Proceeds from Pulse note receivable	—	50.0
Payments for business acquisitions, net of cash and cash equivalents acquired	(175.0)	—
Other	—	(4.7)
Net cash (used in) provided by investing activities	(1.8)	86.0
Cash flows from financing activities:		
Repurchase and retirement of common stock	(294.0)	(305.7)
Proceeds from issuance of common stock	56.0	54.5
Payment of dividends	(194.9)	(198.0)
Payment of debt	(423.8)	—
Payment for debt extinguishment costs	(58.3)	—
Other	(3.4)	4.8
Net cash used in financing activities	(918.4)	(444.4)
Effect of foreign currency exchange rates on cash, cash equivalents, and restricted cash	(3.7)	(2.5)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(350.2)	125.3
Cash, cash equivalents, and restricted cash at beginning of period	1,383.0	1,276.5
Cash, cash equivalents, and restricted cash at end of period	$ 1,032.8	$ 1,401.8

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.

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

	Three Months Ended September 30, 2021				
	Shares	Common Stock and Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
Balance at June 30, 2021	324.0	$ 7,042.8	$ 55.9	$ (2,757.8)	$ 4,340.9
Net income	—	—	—	88.9	88.9
Other comprehensive loss, net	—	—	(11.9)	—	(11.9)
Issuance of common stock	2.8	27.1	—	—	27.1
Repurchase and retirement of common stock	(1.7)	(22.8)	—	(28.1)	(50.9)
Share-based compensation expense	—	54.7	—	—	54.7
Payments of cash dividends ($0.20 per share of common stock)	—	(65.0)	—	—	(65.0)
Balance at September 30, 2021	325.1	$ 7,036.8	$ 44.0	$ (2,697.0)	$ 4,383.8

	Three Months Ended September 30, 2020				
	Shares	Common Stock and Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance at June 30, 2020	331.7	$ 7,255.7	$ (22.9)	$ (2,768.5)	$ 4,464.3
Net income	—	—	—	145.4	145.4
Other comprehensive income, net	—	—	38.1	—	38.1
Issuance of common stock	1.8	26.9	—	—	26.9
Repurchase and retirement of common stock	(4.2)	(54.3)	—	(46.1)	(100.4)
Share-based compensation expense	—	52.7	—	—	52.7
Payments of cash dividends ($0.20 per share of common stock)	—	(66.2)	—	—	(66.2)
Balance at September 30, 2020	329.3	$ 7,214.8	$ 15.2	$ (2,669.2)	$ 4,560.8

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.

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

	Nine Months Ended September 30, 2021				
	Shares	Common Stock and Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2020	327.7	$ 7,156.9	$ 55.6	$ (2,669.0)	$ 4,543.5
Net income	—	—	—	119.8	119.8
Other comprehensive loss, net	—	—	(11.6)	—	(11.6)
Issuance of common stock	8.6	58.7	—	—	58.7
Repurchase and retirement of common stock	(11.2)	(146.2)	—	(147.8)	(294.0)
Share-based compensation expense	—	162.3	—	—	162.3
Payments of cash dividends ($0.60 per share of common stock)	—	(194.9)	—	—	(194.9)
Balance at September 30, 2021	325.1	$ 7,036.8	$ 44.0	$ (2,697.0)	$ 4,383.8

	Nine Months Ended September 30, 2020				
	Shares	Common Stock and Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2019	335.9	$ 7,370.5	$ (18.5)	$ (2,741.4)	$ 4,610.6
Net income	—	—	—	227.0	227.0
Other comprehensive income, net	—	—	33.7	—	33.7
Issuance of common stock	8.2	54.5	—	—	54.5
Repurchase and retirement of common stock	(14.8)	(190.9)	—	(154.8)	(345.7)
Purchase of forward contract under accelerated share repurchase program ("ASR")	—	40.0	—	—	40.0
Share-based compensation expense	—	138.7	—	—	138.7
Payments of cash dividends ($0.60 per share of common stock)	—	(198.0)	—	—	(198.0)
Balance at September 30, 2020	329.3	$ 7,214.8	$ 15.2	$ (2,669.2)	$ 4,560.8

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, 2020 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 and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021, 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, 2020 (the "Form 10-K"). We have 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.

Summary of Significant Accounting Policies

Except for the change in certain policies upon adoption of the accounting standards described below, 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, 2020.

Recently Adopted Accounting Standards

Simplifying the Accounting for Income Taxes: On January 1, 2021, the Company adopted ASU No. 2019-12 (Topic 740) *Income Taxes — Simplifying the Accounting for Income Taxes*, which enhances and simplifies various aspects related to accounting for income taxes. Upon adoption, the standard did not have a material impact on the Condensed Consolidated Financial Statements.

Recent Accounting Standards Not Yet Adopted

Reference Rate Reform: In March 2020, the FASB issued ASU No. 2020-04 (Topic 848), *Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting,* which provides temporary optional expedients and exceptions to the existing guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. In January 2021, the FASB issued ASU No. 2021-01 (Topic 848), Reference Rate Reform: Scope, which refines the scope of Topic 848 and clarifies some of its guidance. The amendments were effective upon issuance and may be applied through December 31, 2022, to any new or amended contracts, hedging relationships, and other transactions that reference LIBOR. The Company is currently evaluating the impact of the transition and disclosure requirements of the standard on its Condensed Consolidated Financial Statements.

Note 2. Business Combinations

On January 27, 2021, the Company acquired 100% ownership of Apstra, Inc. ("Apstra"), a company that provides intent-based networking, open programmability and automated closed loop assurance for the management of data center networks. The purchase consideration was $179.4 million, consisting of $176.7 million in cash and $2.7 million in share-based awards attributable to services prior to the acquisition. The acquisition is expected to expand upon the Company's data center networking portfolio to advance its vision to transform data center operations.

The following table summarizes the preliminary fair value of the assets acquired and liabilities assumed at the acquisition date (in millions):

	Amount
Cash and cash equivalents	$ 1.8
Goodwill	84.0
Intangible assets	87.8
Other assets acquired	12.6
Liabilities assumed	(6.8)
Total	$ 179.4

The goodwill recognized in connection with the acquisition is primarily attributable to anticipated synergies from future growth and will not be deductible for income tax purposes.

The following table summarizes the fair value of the separately identifiable intangible assets at the time of acquisition (in millions):

	Amount
Intangible assets(*):	
Developed technology	$ 80.5
Customer relationships	7.3
Total intangible assets acquired	$ 87.8

(*) Estimated useful life assigned to Developed Technology and Customer Relationships is 5 and 1.5 years, respectively.

Acquisition-related costs were not material during the nine months ended September 30, 2021, and were expensed in the period incurred within general and administrative expense in the Company's Condensed Consolidated Statements of Operations.

The Company's Condensed Consolidated Financial Statements include the operating results of this business combination from the date of acquisition. Pro forma results of operations for this acquisition have not been presented, as the financial impact to the Company's consolidated results of operations is not material. The preliminary purchase price allocation is subject to potential measurement period adjustments relating to certain tax and legal matters.

Juniper Networks, Inc.

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

Note 3. 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 September 30, 2021 and December 31, 2020 (in millions):

	As of September 30, 2021				As of December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed income securities:								
Asset-backed and mortgage-backed securities	$ 130.5	$ —	$ —	$ 130.5	$ 76.5	$ 0.2	$ —	$ 76.7
Certificates of deposit	11.0	—	—	11.0	32.9	—	—	32.9
Commercial paper	86.7	—	—	86.7	89.3	—	—	89.3
Corporate debt securities	485.4	2.1	(0.2)	487.3	632.0	5.5	(0.1)	637.4
Foreign government debt securities	12.8	—	—	12.8	4.6	—	—	4.6
Time deposits	45.9	—	—	45.9	255.6	—	—	255.6
U.S. government agency securities	31.3	0.1	(0.1)	31.3	65.3	0.2	—	65.5
U.S. government securities	91.4	0.2	(0.1)	91.5	232.8	1.0	—	233.8
Total fixed income securities	895.0	2.4	(0.4)	897.0	1,389.0	6.9	(0.1)	1,395.8
Privately-held debt and redeemable preferred stock securities	20.7	39.9	—	60.6	18.3	37.4	—	55.7
Total available-for-sale debt securities	$ 915.7	$ 42.3	$ (0.4)	$ 957.6	$ 1,407.3	$ 44.3	$ (0.1)	$ 1,451.5
Reported as:								
Cash equivalents	$ 79.2	$ —	$ —	$ 79.2	$ 333.7	$ —	$ —	$ 333.7
Short-term investments	312.7	1.1	—	313.8	404.3	1.2	—	405.5
Long-term investments	503.1	1.3	(0.4)	504.0	651.0	5.7	(0.1)	656.6
Other long-term assets	20.7	39.9	—	60.6	18.3	37.4	—	55.7
Total	$ 915.7	$ 42.3	$ (0.4)	$ 957.6	$ 1,407.3	$ 44.3	$ (0.1)	$ 1,451.5

The following table presents the contractual maturities of the Company's total fixed income securities as of September 30, 2021 (in millions):

	Amortized Cost	Estimated Fair Value
Due in less than one year	$ 391.9	$ 393.0
Due between one and five years	503.1	504.0
Total	$ 895.0	$ 897.0

For available-for-sale debt securities that have unrealized losses, the Company assesses impairment by evaluating various factors, including whether (i) it has the intention to sell any of these investments and (ii) whether it is more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis. The Company periodically assesses performance indicators of the investment by evaluating various factors such as (i) changes in the credit ratings and (ii) review of the issuer. As of September 30, 2021, the Company's unrealized loss of $0.4 million resulted from 184 investments that were primarily in an unrealized loss position for less 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 and nine months ended September 30, 2021 and September 30, 2020.

During the three and nine months ended September 30, 2021 and September 30, 2020, 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 September 30, 2021 and December 31, 2020 (in millions):

	As of	
	September 30, 2021	December 31, 2020
Equity investments with readily determinable fair value:		
Money market funds	$ 531.9	$ 536.6
Mutual funds	32.5	29.3
Publicly-traded equity securities	7.3	6.6
Equity investments without readily determinable fair value:	146.9	146.2
Total equity securities	$ 718.6	$ 718.7
Reported as:		
Cash equivalents	$ 515.2	$ 519.8
Short-term investments	7.3	6.6
Prepaid expenses and other current assets	10.5	9.9
Other long-term assets	185.6	182.4
Total	$ 718.6	$ 718.7

For the three and nine months ended September 30, 2021 and September 30, 2020, there were no material unrealized gains or losses recognized for equity investments.

Restricted Cash and Investments

The Company has restricted cash and investments for: (i) amounts held in escrow accounts, as required in connection with certain acquisitions completed primarily in 2020 and 2021; (ii) amounts held under the Company's short-term disability plan in California; and (iii) amounts under the Company's non-qualified deferred compensation plan for senior-level employees. Restricted investments consist of equity investments. As of September 30, 2021, the carrying value of restricted cash and investments was $71.3 million, of which $28.8 million was included in prepaid expenses and other current assets, and $42.5 million was included in other long-term assets on the Condensed Consolidated Balance Sheet.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash included in the Condensed Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020 (in millions):

Juniper Networks, Inc.

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

	As of	
	September 30, 2021	December 31, 2020
Cash and cash equivalents	$ 1,010.7	$ 1,361.9
Restricted cash included in Prepaid expenses and other current assets	18.4	19.2
Restricted cash included in Other long-term assets	3.7	1.9
Total cash, cash equivalents, and restricted cash	$ 1,032.8	$ 1,383.0

Juniper Networks, Inc.

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

Note 4. 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 September 30, 2021 and December 31, 2020 (in millions):

	Fair Value Measurements at September 30, 2021				Fair Value Measurements at December 31, 2020			
	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	$ —	$ 130.5	$ —	$ 130.5	$ —	$ 76.7	$ —	$ 76.7
Certificates of deposit	—	11.0	—	11.0	—	32.9	—	32.9
Commercial paper	—	86.7	—	86.7	—	89.3	—	89.3
Corporate debt securities	—	487.3	—	487.3	—	637.4	—	637.4
Foreign government debt securities	—	12.8	—	12.8	—	4.6	—	4.6
Time deposits	—	45.9	—	45.9	—	255.6	—	255.6
U.S. government agency securities	—	31.3	—	31.3	—	65.5	—	65.5
U.S. government securities	68.7	22.8	—	91.5	140.0	93.8	—	233.8
Privately-held debt and redeemable preferred stock securities	—	—	60.6	60.6	—	—	55.7	55.7
Total available-for-sale debt securities	68.7	828.3	60.6	957.6	140.0	1,255.8	55.7	1,451.5
Equity securities:								
Money market funds	531.9	—	—	531.9	536.6	—	—	536.6
Mutual funds	32.5	—	—	32.5	29.3	—	—	29.3
Publicly-traded equity securities	7.3	—	—	7.3	6.6	—	—	6.6
Total equity securities	571.7	—	—	571.7	572.5	—	—	572.5
Derivative assets:								
Foreign exchange contracts	—	22.4	—	22.4	—	38.0	—	38.0
Interest rate contracts	—	60.0	—	60.0	—	51.0	—	51.0
Total derivative assets	—	82.4	—	82.4	—	89.0	—	89.0
Total assets measured at fair value on a recurring basis	$ 640.4	$ 910.7	$ 60.6	$ 1,611.7	$ 712.5	$ 1,344.8	$ 55.7	$ 2,113.0
Liabilities:								
Derivative liabilities:								
Foreign exchange contracts	$ —	$ (9.8)	$ —	$ (9.8)	$ —	$ (0.5)	$ —	$ (0.5)
Total derivative liabilities	—	(9.8)	—	(9.8)	—	(0.5)	—	(0.5)
Total liabilities measured at fair value on a recurring basis	$ —	$ (9.8)	$ —	$ (9.8)	$ —	$ (0.5)	$ —	$ (0.5)

	Fair Value Measurements at September 30, 2021				Fair Value Measurements at December 31, 2020			
	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	$ 515.2	$ 79.2	$ —	$ 594.4	$ 519.8	$ 333.7	$ —	$ 853.5
Short-term investments	49.2	271.9	—	321.1	101.0	311.1	—	412.1
Long-term investments	26.8	477.2	—	504.0	45.6	611.0	—	656.6
Prepaid expenses and other current assets	10.5	18.1	—	28.6	9.9	28.0	—	37.9
Other long-term assets	38.7	64.3	60.6	163.6	36.2	61.0	55.7	152.9
Total assets measured at fair value	$ 640.4	$ 910.7	$ 60.6	$ 1,611.7	$ 712.5	$ 1,344.8	$ 55.7	$ 2,113.0
Total liabilities, reported as:								
Other accrued liabilities	$ —	$ (5.2)	$ —	$ (5.2)	$ —	$ (0.3)	$ —	$ (0.3)
Other long-term liabilities	—	(4.6)	—	(4.6)	—	(0.2)	—	(0.2)
Total liabilities measured at fair value on a recurring basis	$ —	$ (9.8)	$ —	$ (9.8)	$ —	$ (0.5)	$ —	$ (0.5)

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 and nine months ended September 30, 2021, 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. During the three and nine months ended September 30, 2021, there were no significant activities related to privately-held debt and redeemable preferred stock securities.

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 on a nonrecurring basis (i.e., when an observable transaction occurs) 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 September 30, 2021, there have been no material upward or downward adjustments for price changes 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 and nine months ended September 30, 2021.

As of September 30, 2021 and December 31, 2020, the Company had no liabilities required to be measured at fair value on a nonrecurring basis.

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 September 30, 2021 and December 31, 2020, the estimated fair value of the Company's total outstanding debt in the Condensed Consolidated Balance Sheets was $1,865.8 million and $2,386.6 million, respectively, based on observable market inputs (Level 2).

Note 5. 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. We do not use derivative financial instruments for speculative purposes.

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

	As of	
	September 30, 2021	December 31, 2020
Designated derivatives:		
Cash flow hedges:		
Foreign currency contracts	$ 873.8	$ 722.1
Interest rate lock contracts	650.0	650.0
Fair value hedges:		
Interest rate swap contracts	600.0	300.0
Total designated derivatives	2,123.8	1,672.1
Non-designated derivatives	129.8	174.1
Total	$ 2,253.6	$ 1,846.2

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

		As of	
	Balance Sheet Classification	September 30, 2021	December 31, 2020
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	Other current assets	$ 17.4	$ 27.8
Foreign currency contracts	Other long-term assets	4.3	10.0
Interest rate lock contracts	Other long-term assets	54.8	30.7
Interest rate swap contracts	Other long-term assets	5.2	20.3
Total derivatives designated as hedging instruments		$ 81.7	$ 88.8
Derivatives not designated as hedging instruments	Other current assets	0.7	0.2
Total derivative assets		$ 82.4	$ 89.0
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	Other accrued liabilities	$ 5.0	$ 0.2
Foreign currency contracts	Other long-term liabilities	4.6	0.2
Total derivatives designated as hedging instruments		$ 9.6	$ 0.4
Derivatives not designated as hedging instruments	Other accrued liabilities	0.2	0.1
Total derivative liabilities		$ 9.8	$ 0.5

Designated Derivatives

The Company uses foreign currency forward 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 swaps, designated as fair value hedges, to convert the fixed interest rates of certain Senior Notes to floating interest rates. In April 2021, the Company entered into swaps for an aggregate notional amount of $300.0 million for its fixed-rate 2030 Notes in addition to the swaps entered in 2019 for an aggregate notional amount of $300.0 million for its fixed-rate 2041 Notes. The interest rate swaps will expire within nine years.

In 2020, the Company entered into interest rate locks with large financial institutions, which fix the benchmark interest rates of future debt issuance for an aggregate notional amount of $650.0 million. These contracts are designated as cash flow hedges and are expected to terminate within four years or less.

Effect of Derivative Instruments on the Consolidated Statements of Operations

For cash flow hedges, the Company recognized an unrealized loss of $3.0 million and an unrealized gain of $23.1 million in accumulated other comprehensive income for the effective portion of its derivative instruments for the three and nine months ended September 30, 2021, respectively. The Company recognized an unrealized gain of $35.3 million and $24.1 million in accumulated other comprehensive income for the effective portion of its derivative instruments for the three and nine months ended September 30, 2020, respectively.

For foreign currency forward contracts, the Company reclassified a gain of $6.2 million and $24.3 million out of accumulated other comprehensive income to cost of revenues and operating expenses in the Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2021, respectively, and a loss of $1.4 million and $9.8 million for the comparable periods ended September 30, 2020, respectively. As of September 30, 2021, an estimated $12.5 million of unrealized net gain within accumulated other comprehensive loss 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 and nine months ended September 30, 2021 and September 30, 2020.

Juniper Networks, Inc.

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

Note 6. Goodwill and Purchased Intangible Assets

Goodwill

The Company's goodwill activity during the nine months ended September 30, 2021 was as follows (in millions):

	Total
December 31, 2020	$ 3,669.6
Additions due to business combinations	84.5
September 30, 2021	$ 3,754.1

There were no impairments to goodwill during the three and nine months ended September 30, 2021 and September 30, 2020, respectively.

Purchased Intangible Assets

The Company’s purchased intangible assets, net, were as follows (in millions):

	As of September 30, 2021				As of December 31, 2020			
	Gross	Accumulated Amortization	Accumulated Impairments and Other Charges	Net	Gross	Accumulated Amortization	Accumulated Impairments and Other Charges	Net
Finite-lived intangible assets:								
Technologies and patents	$ 903.8	$ (644.8)	$ (55.1)	$ 203.9	$ 823.5	$ (598.2)	$ (55.1)	$ 170.2
Customer relationships	136.3	(95.0)	(2.8)	38.5	129.2	(84.4)	(2.8)	42.0
Trade names and other	9.6	(5.9)	—	3.7	9.6	(4.1)	—	5.5
Total	1,049.7	(745.7)	(57.9)	246.1	962.3	(686.7)	(57.9)	217.7
Indefinite-lived intangible assets:								
In-process research and development	49.0	—	—	49.0	49.0	—	—	49.0
Total purchased intangible assets	$ 1,098.7	$ (745.7)	$ (57.9)	$ 295.1	$ 1,011.3	$ (686.7)	$ (57.9)	$ 266.7

Amortization expense related to purchased intangible assets with finite lives was $20.2 million and $59.0 million for the three and nine months ended September 30, 2021. Amortization expense related to purchased intangible assets with finite lives was $9.4 million and $28.7 million for the three and nine months ended September 30, 2020. There were no significant impairment charges related to purchased intangible assets for the three and nine months ended September 30, 2021 and September 30, 2020, respectively.

Juniper Networks, Inc.

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

As of September 30, 2021, the estimated future amortization expense of purchased intangible assets with finite lives is as follows (in millions):

Years Ending December 31,	Amount
Remainder of 2021	$ 20.1
2022	72.8
2023	66.9
2024	47.4
2025	37.8
Thereafter	1.1
Total	$ 246.1

Note 7. Other Financial Information

Total Inventory

Total inventory consisted of the following (in millions):

	As of	
	September 30, 2021	December 31, 2020
Production and service materials	$ 177.3	$ 158.1
Finished goods	56.3	63.8
Total inventory	$ 233.6	$ 221.9
Reported as:		
Inventory	$ 223.2	$ 210.2
Other long-term assets	10.4	11.7
Total inventory	$ 233.6	$ 221.9

Deposit

During the third quarter of 2021, the Company's non-interest bearing deposit to a contract manufacturer has been reclassified from other long-term assets to other short-term assets on the Condensed Consolidated Balance Sheets because the deposit is now due on demand.

Warranties

Changes during the nine months ended September 30, 2021 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, 2020	$ 30.2
Provisions made during the period	30.7
Actual costs incurred during the period	(28.1)
Balance as of September 30, 2021	$ 32.8

Revenue

See Note 12, *Segments,* for disaggregated revenue by product and service, customer vertical, and geographic region.

Product revenue of $20.7 million and $63.6 million included in deferred revenue at January 1, 2021 was recognized during the three and nine months ended September 30, 2021, respectively. Service revenue of $162.7 million and $652.9 million included in deferred revenue at January 1, 2021 was recognized during the three and nine months ended September 30, 2021, respectively.

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 noncancellable contracts for which the Company has not invoiced, has an obligation to perform, and revenue has not yet been recognized in the financial statements.

The following table summarizes the breakdown of RPO as of September 30, 2021 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	$ 113.8	$ 95.4	$ 14.8	$ 3.6
Service	1,185.4	748.5	353.8	83.1
Total	$ 1,299.2	$ 843.9	$ 368.6	$ 86.7

Deferred Commissions

Deferred commissions were $29.1 million as of September 30, 2021. For the three and nine months ended September 30, 2021, amortization expense for the deferred commissions was $46.9 million and $129.8 million, and there were no impairment charges recognized.

Other Expense, Net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest income	$ 3.0	$ 6.1	$ 10.5	$ 30.4
Interest expense	(12.2)	(19.1)	(38.5)	(58.5)
Gain on investments, net	0.7	2.0	3.3	2.7
Other	0.2	(2.5)	0.5	(3.6)
Other expense, net	$ (8.3)	$ (13.5)	$ (24.2)	$ (29.0)

Note 8. Restructuring Charges

During the first quarter of 2021, the Company initiated a restructuring plan (the "2021 Restructuring Plan") driven by recent acquisitions and strategic changes and designed to enable reinvestment in certain key priority areas, which resulted in severance, facility consolidations, contract terminations, and other exit related costs. The 2021 Restructuring Plan activities are expected to be substantially completed during the first half of 2022.

In connection with the 2021 Restructuring Plan, we incurred charges of $1.9 million and $42.8 million for the three and nine months ended September 30, 2021, respectively. These costs were reported as restructuring charges in the Condensed Consolidated Statements of Operations.

Restructuring liabilities are reported within other accrued liabilities in the Condensed Consolidated Balance Sheets. The following table provides a summary of changes in the restructuring liabilities for the Company's 2021 Restructuring Plan and prior year plan (in millions):

	December 31, 2020	Charges	Cash Payments	Other	September 30, 2021
Severance	$ 50.7	$ 13.7	$ (63.5)	$ 1.0	$ 1.9
Facility consolidations	—	8.4	(0.4)	(8.0)	—
Contract terminations and other	—	20.7	—	(5.4)	15.3
Total	$ 50.7	$ 42.8	$ (63.9)	$ (12.4)	$ 17.2

Note 9. Debt

Debt

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

	Maturity Date	Effective Interest Rates	As of September 30, 2021	As of December 31, 2020
Senior Notes ("Notes"):				
4.500% fixed-rate notes ("2024 Notes")	March 2024	4.70 %	$ —	$ 265.8
4.350% fixed-rate notes ("2025-I Notes")	June 2025	4.47 %	—	158.0
1.200% fixed-rate notes ("2025-II Notes")	December 2025	1.37 %	400.0	400.0
3.750% fixed-rate notes ("2029 Notes")	August 2029	3.86 %	500.0	500.0
2.000% fixed-rate notes ("2030 Notes")	December 2030	2.12 %	400.0	400.0
5.950% fixed-rate notes ("2041 Notes")	March 2041	6.03 %	400.0	400.0
Total Notes			1,700.0	2,123.8
Unaccreted discount and debt issuance costs			(13.3)	(16.8)
Hedge accounting fair value adjustments(*)			5.3	20.3
Total			$ 1,692.0	$ 2,127.3

(*) Represents the fair value adjustments for interest rate swaps with an aggregate notional amount of $600.0 million. These interest rate swaps convert the fixed interest rates of certain Senior Notes to floating interest rates and are designated as fair value hedges. See Note 5, *Derivative Instruments*, for a discussion of the Company's interest rate swaps.

In January 2021, the Company redeemed the remaining $265.8 million of its outstanding 2024 Notes and the remaining $158.0 million of its outstanding 2025-I Notes, for a principal redemption amount in the aggregate of $482.1 million, plus accrued interest. The repayments resulted in a loss on extinguishment of debt of $60.6 million, consisting primarily of a premium on the early redemption and acceleration of unamortized debt discount and fees on the redeemed debt.

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.

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 September 30, 2021, the Company was in compliance with all covenants in the indentures governing the Notes.

Revolving Credit Facility

The Company has an unsecured revolving credit facility that will expire in April 2024, which enables borrowings of up to $500.0 million, with an option to increase the amount of the credit facility by up to an additional $200.0 million, subject to the lenders' approval. The credit facility will terminate in April 2024. As of September 30, 2021, the Company was in compliance with all covenants and no amounts were outstanding under its credit facility.

Note 10. 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Dividends:				
Per share	$ 0.20	$ 0.20	$ 0.60	$ 0.60
Amount	$ 65.0	$ 66.2	$ 194.9	$ 197.9
Repurchased under the 2018 Stock Repurchase Program:				
Shares	1.7	4.2	11.0	14.5
Average price per share(*)	$ 28.43	$ 23.93	$ 25.80	$ 23.86
Amount	$ 50.0	$ 100.0	$ 285.0	$ 300.0

(*) $23.86 average price per share for the nine months ended September 30, 2020 includes $300.0 million in open market purchases, and settlement of the forward contract of $40.0 million under the ASR, which was initiated during the fourth quarter of 2019.

Cash Dividends on Shares of Common Stock

During the three and nine months ended September 30, 2021, the Company declared and paid a quarterly cash dividend of $0.20 per common share, totaling $65.0 million and $194.9 million, respectively, 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 (the "Board") of Juniper or an authorized committee thereof. See Note 16, *Subsequent Events,* for discussion of the Company's dividend declaration subsequent to September 30, 2021.

Stock Repurchase Activities

During the nine months ended September 30, 2021, the Company repurchased 11.0 million shares of its common stock in the open market for an aggregate purchase price of $285.0 million at an average price of $25.80 per share under the 2018 Stock Repurchase Program.

As of September 30, 2021, there was approximately $1.0 billion of authorized funds remaining under the 2018 Stock Repurchase Program.

Future share repurchases under the 2018 Stock Repurchase Program will be subject to a review of the circumstances at that time and will be made from time to time in private transactions or open market purchases as permitted by securities laws and other legal requirements.

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. Repurchases associated with tax withholdings were not material during the three and nine months ended September 30, 2021 and September 30, 2020.

Accumulated Other Comprehensive Income, Net of Tax

The components of accumulated other comprehensive income, net of related taxes, for the nine months ended September 30, 2021 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, 2020	$ 34.1	$ 57.7	$ (36.2)	$ 55.6
Other comprehensive income (loss) before reclassifications	(0.5)	14.6	(3.1)	11.0
Amount reclassified from accumulated other comprehensive income (loss)	(1.1)	(21.5)	—	(22.6)
Other comprehensive income (loss), net	(1.6)	(6.9)	(3.1)	(11.6)
Balance as of September 30, 2021	$ 32.5	$ 50.8	$ (39.3)	$ 44.0

Note 11. 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 September 30, 2021, 5.9 million and 8.8 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.

RSU, RSA and PSA Activities

The Company's RSU, RSA and PSA activity and related information as of and for the nine months ended September 30, 2021 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, 2020	19.9	$ 23.05		
Granted(*)	9.0	25.31		
Awards assumed upon the acquisition of Apstra	2.2	25.49		
Vested	(5.9)	24.08		
Canceled	(2.1)	24.16		
Balance as of September 30, 2021	23.1	$ 23.81	1.4	$ 634.9

(*) Includes 6.9 million service-based, 1.6 million performance-based, and 0.5 million market-based RSUs and PSAs, as applicable. The number of shares subject to performance-based and market-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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Shares purchased	1.4	1.3	2.8	2.7
Average exercise price per share	$ 19.88	$ 19.68	$ 19.81	$ 19.59

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenues - Product	$ 1.5	$ 1.4	$ 3.8	$ 3.9
Cost of revenues - Service	4.7	4.0	13.1	11.6
Research and development	23.7	22.9	68.0	57.1
Sales and marketing	16.4	16.4	47.8	43.4
General and administrative	8.6	8.0	30.2	22.7
Total	$ 54.9	$ 52.7	$ 162.9	$ 138.7

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock options	$ 2.2	$ 1.5	$ 7.4	$ 5.2
RSUs, RSAs, and PSAs	47.9	45.8	142.4	118.0
ESPP	4.8	5.4	13.1	15.5
Total	$ 54.9	$ 52.7	$ 162.9	$ 138.7

As of September 30, 2021, the total unrecognized compensation cost related to unvested share-based awards was $375.5 million to be recognized over a weighted-average period of 1.91 years.

Note 12. 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.

Effective in the first quarter of fiscal 2021, the Company began reporting its revenue by customer solution in the following three categories: Automated WAN Solutions, Cloud-Ready Data Center, AI-Driven Enterprise. In addition, the Company began reporting Hardware Maintenance and Professional Services in the first quarter of fiscal 2021. The change provides for alignment on key growth drivers that is aligned with the Company's strategy.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Customer Solutions:				
Automated WAN Solutions	$ 384.5	$ 437.2	$ 1,167.0	$ 1,159.5
Cloud-Ready Data Center	194.7	155.0	554.0	487.0
AI-Driven Enterprise	229.8	170.2	586.1	466.3
Hardware Maintenance and Professional Services	379.8	375.8	1,128.4	1,109.7
Total	$ 1,188.8	$ 1,138.2	$ 3,435.5	$ 3,222.5

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cloud	$ 303.3	$ 253.1	$ 894.6	$ 800.5
Service Provider	445.8	475.1	1,327.7	1,286.8
Enterprise	439.7	410.0	1,213.2	1,135.2
Total	$ 1,188.8	$ 1,138.2	$ 3,435.5	$ 3,222.5

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Americas:				
United States	$ 609.2	$ 575.0	$ 1,729.7	$ 1,651.7
Other	55.6	49.3	170.8	160.9
Total Americas	664.8	624.3	1,900.5	1,812.6
Europe, Middle East, and Africa	336.3	321.1	971.3	870.2
Asia Pacific	187.7	192.8	563.7	539.7
Total	$ 1,188.8	$ 1,138.2	$ 3,435.5	$ 3,222.5

Note 13. Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income before income taxes	$ 111.8	$ 111.6	$ 148.8	$ 226.0
Income tax provision (benefit)	$ 22.9	$ (33.8)	$ 29.0	$ (1.0)
Effective tax rate	*20.5 %*	*(30.3)%*	*19.5 %*	*(0.4)%*

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 global intangible low-taxed income, research and development 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 nine months ended September 30, 2021 reflects the loss on extinguishment of debt of $60.6 million and restructuring charges of $42.8 million in the period.

The Company's effective tax rate for the nine months ended September 30, 2020 reflected the cumulative recognition of previously unrecognized tax benefits for transfer pricing of $54.5 million and the expiration of statutes of limitations of $15.2 million, partially offset by the cumulative impact of cost sharing for stock-based compensation of $18.2 million.

As of September 30, 2021, the total amount of gross unrecognized tax benefits was $122.5 million.

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 $3.5 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 is currently under examination by the Internal Revenue Service and the India tax authorities for the 2017 through 2018 tax years and the 2017 tax year, respectively.

Juniper Networks, Inc.

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

Note 14. Net Income per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income	$ 88.9	$ 145.4	$ 119.8	$ 227.0
Denominator:				
Weighted-average shares used to compute basic income per share	324.0	330.9	325.0	330.9
Dilutive effect of employee stock awards	7.1	3.6	6.4	4.3
Weighted-average shares used to compute diluted income per share	331.1	334.5	331.4	335.2
Net income per share:				
Basic	$ 0.27	$ 0.44	$ 0.37	$ 0.69
Diluted	$ 0.27	$ 0.43	$ 0.36	$ 0.68
Anti-dilutive shares	0.6	3.4	0.7	5.5

Note 15. 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 15, *Commitments and Contingencies*, in Notes to Consolidated Financial Statements in Item 8 of Part II of the Form 10-K.

Unconditional Purchase Obligations

In the third quarter of 2021, the Company executed a mutual Termination and Release agreement, which ended a 15-year Energy Services Agreement with a supplier, and fully released the Company from further obligations at no cost.

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-cancelable commitments. These purchase commitments totaled $2,073.0 million as of September 30, 2021.

Guarantees

The Company has financial guarantees consisting of standby letters of credit of $2.4 million and $29.0 million, as of September 30, 2021 and December 31, 2020, respectively.

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 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.

Note 16. Subsequent Events

Dividend Declaration

On October 26, 2021, the Company announced that the Board declared a cash dividend of $0.20 per share of common stock to be paid on December 22, 2021 to stockholders of record as of the close of business on December 1, 2021.

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 regarding future events and the future results of Juniper Networks, Inc., which we refer to as "we," "us," "Juniper," or the "Company," that are based on our current expectations, estimates, forecasts, and projections about our business, economic and market outlook, our results of operations, the industry in which we operate, and the beliefs and assumptions of our management. 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 duration, extent, and continuing impact of the COVID-19 pandemic and global component shortages, including the semiconductor shortage, and our ability to successfully manage the demand, supply, and operational challenges associated with the COVID-19 pandemic and global component shortages, including the semiconductor shortage. 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 the COVID-19 pandemic and any worsening of the global business and economic environment as a result of the pandemic. 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 1, Item I, of this Report, which were prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the manufacturing and shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory and spare parts, among other matters. In making these decisions, we consider various factors, including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. Each of these decisions has some impact on the financial results for any given period.

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. 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, 2020, 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 products 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: AI-Driven Enterprise, Automated WAN Solutions, and Cloud-Ready Data Center, and our connected security products are sold in each category.

- AI-Driven Enterprise encompasses client-to-cloud portfolio, cloud-delivered campus wired and wireless solutions of Mist and EX switches, and SD-WAN portfolio that includes 128 Technology and Branch SRX solutions.
- Automated WAN Solutions includes MX and PTX product lines, and ACX product line targeting the Metro market. It also includes Netrounds products that are part of Paragon Automation, our WAN Automation suite.

- Cloud-Ready Data Center includes the QFX product line, Apstra and Contrail product lines, along with the high-end security portfolio of SRX, targeting data center security for service provider, cloud and enterprise. To accelerate our strategy, in January 2021, we acquired Apstra, a leader in intent-based networking, open programmability and automated closed loop assurance for the management of data center networks. We believe our acquisition of Apstra will expand upon our data center networking portfolio to create a compelling solution that will change the customer experience of operating in a modern data center.

In addition to our product offerings, we offer software-as-a-service (SaaS), software subscription, 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 AI-Driven Enterprise, Automated WAN Solutions, and Cloud-Ready Data Center. 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.

COVID-19 Pandemic Update

The COVID-19 pandemic and the containment measures taken by governments and businesses are expected to continue to have a substantial negative impact on businesses around the world and on global, regional, and national economies. As a result, the pandemic has, and may continue to, negatively affect our operations, including as a result of external factors beyond our control, such as restrictions on the physical movement of our employees, contract manufacturers, component suppliers, partners, and customers. The majority of our global workforce has been working remotely since March 2020, and we continue to implement our four-phased approach to office reopening. In order to maximize the protection of the health and safety of our employees working in our offices in the U.S. and India during the current voluntary return to office period, on September 15, 2021, we began requiring all personnel working onsite in these offices, or traveling for business on behalf of Juniper, to be fully vaccinated against COVID-19. We also require proof of vaccination for employees and guests returning to our sites, where permitted by local laws and regulations. In addition, we are following the September 9, 2021 Executive Order from the U.S. President, which requires all U.S. federal contractor employees, including those working remotely, to be "fully vaccinated" against COVID-19 by December 8, 2021. We will continue to follow the guidance of local and national governments, including monitoring the health of our employees who have returned or will be returning to our offices. Numerous ongoing emerging governmental regulations in the U.S. and other countries, including those regarding vaccination mandates and ongoing testing requirements, may negatively impact our operations and increase the complexity of managing the pandemic.

We continue to support healthy customer demand for our products by working with our suppliers and distributors to address supply chain disruptions as well as travel restrictions that have impacted our operations. We have a global supply chain, which consists of primary manufacturing partners and component suppliers. During the third quarter of 2021, the supply constraints we continued to experience were due to both constrained manufacturing capacity as well as component parts shortages as our component vendors were also facing manufacturing challenges. These challenges resulted in extended lead-times to our customers, increased logistics costs, and impacted the volume of products we were able to deliver, which negatively impacted our ability to recognize revenue.

Challenges to our supply chain due to the impact of the pandemic remain dynamic, and we continue to experience higher logistics costs due to air travel and transport restrictions that limited the availability of flights on which we were able to ship products as well as cost increases and extended shipping times for ocean transit that have increased our dependence on higher-cost air freight. Our supply chain team has been working to meet our customer needs by executing on a strong risk mitigation plan, including multi-sourcing, pre-ordering components, transforming our logistics network, prioritizing critical customers, working with local government agencies to understand challenges, and partnering on solutions that limit disruptions to our operations while ensuring the safety of our employees, partners and suppliers.

The pandemic did not have a substantial net impact to our consolidated operating results or our liquidity position in the third quarter of 2021. We continue to generate operating cash flows to meet our short-term liquidity needs, and we expect to continue to maintain access to the capital markets enabled by our strong credit ratings. In the third quarter of 2021, we did not observe any material impairments of our assets or a significant change in the fair value of assets due to the pandemic.

We enter the fourth quarter of fiscal year 2021 with strong momentum and record backlog across all verticals. We continue to work with government authorities and implement safety measures to ensure that we are able to continue manufacturing and distributing our products during the pandemic. We continue to experience constrained supply, increased logistics costs, and accelerated customer demand, any of which could adversely impact our business, results of operations, and overall financial performance in future periods.

Global Component Shortage

There is a worldwide shortage of various components, including semiconductors, impacting many industries, caused in-part by the COVID-19 pandemic. Similar to others, we are experiencing ongoing component shortages, which have resulted in extended lead times of certain products and significant disruption to our production schedule. We also experienced and may continue to experience increased component costs, which have had a negative impact on our gross margin. During the past quarter, we continued to experience strong product orders across all verticals and customer solutions; we believe some of the strength was attributable to industry supply chain challenges that were causing certain customers to place orders early to secure supply when needed. We continue to work to resolve our supply chain challenges and have increased inventory levels and purchase commitments. We are working closely with our suppliers to further enhance our resiliency and mitigate the effects of recent disruptions outside of our control. We believe the extended lead times and increased cost will likely persist for at least the next few quarters. We expect to take pricing actions to mitigate the effects of rising component costs. While the situation is dynamic, at this point in time we believe we will have access to sufficient supplies of semiconductors and other components and will be able to meet our full-year financial forecast. Refer to Part II, Item 1A (Risk Factors) of this Report for further discussion of this risk.

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 September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Net revenues	$ 1,188.8	$ 1,138.2	$ 50.6	4 %	$ 3,435.5	$ 3,222.5	$ 213.0	7 %
Gross margin	$ 692.2	$ 657.8	$ 34.4	5 %	$ 1,989.7	$ 1,856.7	$ 133.0	7 %
Percentage of net revenues	*58.2 %*	*57.8 %*			*57.9 %*	*57.6 %*		
Operating income	$ 120.1	$ 125.1	$ (5.0)	(4) %	$ 233.6	$ 255.0	$ (21.4)	(8) %
Percentage of net revenues	*10.1 %*	*11.0 %*			*6.8 %*	*7.9 %*		
Net income	$ 88.9	$ 145.4	$ (56.5)	(39) %	$ 119.8	$ 227.0	$ (107.2)	(47) %
Percentage of net revenues	*7.5 %*	*12.8 %*			*3.5 %*	*7.0 %*		
Net income per share:								
Basic	$ 0.27	$ 0.44	$ (0.17)	(39) %	$ 0.37	$ 0.69	$ (0.32)	(46) %
Diluted	$ 0.27	$ 0.43	$ (0.16)	(37) %	$ 0.36	$ 0.68	$ (0.32)	(47) %
Operating cash flows					$ 573.7	$ 486.2	$ 87.5	18 %
Stock repurchase plan activity	$ 50.0	$ 100.0	$ (50.0)	(50) %	$ 285.0	$ 300.0	$ (15.0)	(5) %
Cash dividends declared per common stock	$ 0.20	$ 0.20	$ —	— %	$ 0.60	$ 0.60	$ —	— %
DSO	59	60	(1)	(2) %				

	As of			
	September 30, 2021	December 31, 2020	$ Change	% Change
Deferred revenue:				
Deferred product revenue	$ 108.0	$ 104.7	$ 3.3	3 %
Deferred service revenue	$ 1,173.1	$ 1,181.1	$ (8.0)	(1) %
Total	$ 1,281.1	$ 1,285.8	$ (4.7)	— %
Deferred revenue from customer solutions(*)	$ 374.2	$ 316.4	$ 57.8	18 %
Deferred revenue from hardware maintenance and professional services	$ 906.9	$ 969.4	$ (62.5)	(6) %
Total	$ 1,281.1	$ 1,285.8	$ (4.7)	— %

N/M - Not meaningful

(*) Includes deferred revenue from hardware solutions, software licenses, software support and maintenance and SaaS offerings sold in our Automated WAN Solutions, Cloud-Ready Data Center, and AI-Driven Enterprise customer solution categories.

- *Net Revenues:* Net revenues increased during the three months ended September 30, 2021, compared to the same period in 2020, primarily due to the Cloud and Enterprise verticals, partially offset by decline in the Service Provider vertical. The growth in the Cloud and Enterprise verticals was primarily driven by Cloud-Ready Data Center and AI-Driven Enterprise, and the decline in the Service Provider vertical was primarily driven by Automated WAN Solutions. Net revenues increased across all verticals and all customer solutions during the nine months ended September 30, 2021, compared to the same period in 2020. Service net revenues increased during the three and nine months ended September 30, 2021, compared to the same periods in 2020, primarily due to strong sales of support contracts and software subscriptions.

  Of our top ten customers for the third quarter of 2021, six were in Cloud, three were in Service Provider, and one was in Enterprise. Of these customers, one was located outside of the U.S.

- *Gross Margin*: The gross margin as a percentage of net revenues increased primarily from favorable customer and product mix, higher revenues, and lower delivery costs.

- *Operating Margin:* The operating income as a percentage of net revenues decreased primarily due to higher personnel-related expenses driven by increases in variable compensation expense and headcount, and higher restructuring charges.

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

- *Capital Return:* We continue to return capital to our stockholders. During the nine months ended September 30, 2021, we repurchased 11.0 million shares of our common stock in the open market at an average price of $25.80 per share for an aggregate purchase price of $285.0 million. During the three and nine months ended September 30, 2021, we paid a quarterly dividend of $0.20 per share, for an aggregate amount of $65.0 million and $194.9 million, respectively.

- *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 higher revenues.

- *Deferred Revenue:* Total deferred revenue decreased as of September 30, 2021, compared to December 31, 2020, primarily due to the timing of maintenance support renewals.

Critical Accounting Policies and 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 to determine reported amounts of assets, liabilities, revenues, and expenses that are not readily apparent from other sources.

During the nine months ended September 30, 2021, there were no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and 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.

Recent Accounting Pronouncements

See Note 1, *Basis of Presentation and Summary of Significant Accounting Policies*, in the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report, for a full description of the recently adopted accounting standards and recent accounting standards not yet adopted, including the actual and expected dates of adoption and estimated effects on our consolidated results of operations and financial condition, which is incorporated herein by reference.

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 September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Customer Solutions:								
Automated WAN Solutions	$ 384.5	$ 437.2	$ (52.7)	(12) %	$ 1,167.0	$ 1,159.5	$ 7.5	1 %
Percentage of net revenues	*32.3 %*	*38.4 %*			*34.0 %*	*36.0 %*		
Cloud-Ready Data Center	194.7	155.0	39.7	26 %	554.0	487.0	67.0	14 %
Percentage of net revenues	*16.4 %*	*13.6 %*			*16.1 %*	*15.1 %*		
AI-Driven Enterprise	229.8	170.2	59.6	35 %	586.1	466.3	119.8	26 %
Percentage of net revenues	*19.3 %*	*15.0 %*			*17.1 %*	*14.5 %*		
Hardware Maintenance and Professional Services	379.8	375.8	4.0	1 %	1,128.4	1,109.7	18.7	2 %
Percentage of net revenues	*32.0 %*	*33.0 %*			*32.8 %*	*34.4 %*		
Total net revenues	$ 1,188.8	$ 1,138.2	$ 50.6	4 %	$ 3,435.5	$ 3,222.5	$ 213.0	7 %
Cloud	$ 303.3	$ 253.1	$ 50.2	20 %	$ 894.6	$ 800.5	$ 94.1	12 %
Percentage of net revenues	*25.5 %*	*22.2 %*			*26.0 %*	*24.8 %*		
Service Provider	445.8	475.1	(29.3)	(6) %	1,327.7	1,286.8	40.9	3 %
Percentage of net revenues	*37.5 %*	*41.7 %*			*38.6 %*	*39.9 %*		
Enterprise	439.7	410.0	29.7	7 %	1,213.2	1,135.2	78.0	7 %
Percentage of net revenues	*37.0 %*	*36.1 %*			*35.4 %*	*35.3 %*		
Total net revenues	$ 1,188.8	$ 1,138.2	$ 50.6	4 %	$ 3,435.5	$ 3,222.5	$ 213.0	7 %
Americas:								
United States	$ 609.2	$ 575.0	$ 34.2	6 %	$ 1,729.7	$ 1,651.7	$ 78.0	5 %
Other	55.6	49.3	6.3	13 %	170.8	160.9	9.9	6 %
Total Americas	664.8	624.3	40.5	6 %	1,900.5	1,812.6	87.9	5 %
Percentage of net revenues	*55.9 %*	*54.9 %*			*55.3 %*	*56.3 %*		
EMEA	336.3	321.1	15.2	5 %	971.3	870.2	101.1	12 %
Percentage of net revenues	*28.3 %*	*28.2 %*			*28.3 %*	*27.0 %*		
APAC	187.7	192.8	(5.1)	(3) %	563.7	539.7	24.0	4 %
Percentage of net revenues	*15.8 %*	*16.9 %*			*16.4 %*	*16.7 %*		
Total net revenues	$ 1,188.8	$ 1,138.2	$ 50.6	4 %	$ 3,435.5	$ 3,222.5	$ 213.0	7 %

Three Months Ended September 30, 2021 compared with the Three Months Ended September 30, 2020

Total net revenues increased primarily due to increases in AI-Driven Enterprise and Cloud-Ready Data Center mainly driven by higher sales volume, offset by Automated WAN Solutions.

The AI-Driven Enterprise revenue increase was primarily driven by Enterprise and Cloud, and to a lesser extent, Service Provider.

The Cloud-Ready Data Center revenue increase was primarily driven by Cloud, and to a lesser extent, Enterprise and Service Provider.

The Automated WAN Solutions revenue decrease was primarily driven by Service Provider and Enterprise, partially offset by an increase in Cloud.

Nine Months Ended September 30, 2021 compared with the Nine Months Ended September 30, 2020

Total net revenues increased primarily due to increases across all customer solutions mainly driven by higher sales volume.

The AI-Driven Enterprise revenue increase was primarily driven by Enterprise and Cloud, and to a lesser extent, Service Provider.

The Cloud-Ready Data Center revenue increase was primarily driven by Cloud and Enterprise.

The Automated WAN Solutions revenue increase was primarily driven by Service Provider and Cloud, partially offset by a decline in Enterprise.

Effective in the first quarter of fiscal 2021, we also began presenting revenues from software and related services as well as total security, as these offerings represent key areas of strategic focus that are critical components to our business success. Software and related services offerings include revenue from software license, software support and maintenance and SaaS contracts. 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 September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Software and Related Services	$ 204.0	$ 122.0	$ 82.0	67 %	$ 519.4	$ 364.0	$ 155.4	43 %
Percentage of net revenues	*17.2 %*	*10.7 %*			*15.1 %*	*11.3 %*		
Total Security	$ 160.4	$ 147.4	$ 13.0	9 %	$ 495.2	$ 448.5	$ 46.7	10 %
Percentage of net revenues	*13.5 %*	*13.0 %*			*14.4 %*	*13.9 %*		

Gross Margins

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Product gross margin	$ 428.5	$ 406.0	$ 22.5	6 %	$ 1,193.2	$ 1,116.4	$ 76.8	7 %
Percentage of product revenues	*55.5 %*	*55.3 %*			*54.2 %*	*54.9 %*		
Service gross margin	263.7	251.8	11.9	5 %	796.5	740.3	56.2	8 %
Percentage of service revenues	*63.3 %*	*62.2 %*			*64.7 %*	*62.3 %*		
Total gross margin	$ 692.2	$ 657.8	$ 34.4	5 %	$ 1,989.7	$ 1,856.7	$ 133.0	7 %
Percentage of net revenues	*58.2 %*	*57.8 %*			*57.9 %*	*57.6 %*		

Our gross margins as a percentage of net revenues have been and will continue to be affected by a variety of factors, including 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, our logistics and other supply chain-related costs have increased due to the COVID-19 pandemic and global semiconductor shortage. For more information on the impact of COVID-19 and supply chain constraints on our business, see the “Risk Factors” section of Item 1A of Part II of this Report.

Three Months Ended September 30, 2021 compared with the Three Months Ended September 30, 2020

Product gross margin

Product gross margin as a percentage of product revenues increased primarily due to favorable customer and product mix and higher revenue, partially offset by intangible amortization associated with the Netrounds, 128 Technology and Apstra acquisitions and elevated COVID-19 related supply chain costs. 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 lower delivery costs and higher revenue.

Nine Months Ended September 30, 2021 compared with the Nine Months Ended September 30, 2020

Product gross margin

Product gross margin as a percentage of product revenues decreased primarily due to costs incurred due to supply constraints and higher intangible amortization associated with the acquisitions of Apstra, 128 Technology and Netrounds, partially offset by favorable customer and product mix and higher 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 lower delivery costs and higher revenue.

Operating Expenses

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Research and development	$ 251.8	$ 242.4	$ 9.4	4 %	$ 752.3	$ 715.9	$ 36.4	5 %
Percentage of net revenues	*21.1 %*	*21.3 %*			*22.0 %*	*22.2 %*		
Sales and marketing	263.4	229.3	34.1	15 %	773.9	692.7	81.2	12 %
Percentage of net revenues	*22.2 %*	*20.1 %*			*22.5 %*	*21.5 %*		
General and administrative	55.0	59.8	(4.8)	(8) %	187.1	178.2	8.9	5 %
Percentage of net revenues	*4.6 %*	*5.3 %*			*5.4 %*	*5.5 %*		
Restructuring charges	1.9	1.2	0.7	58 %	42.8	14.9	27.9	187 %
Percentage of net revenues	*0.2 %*	*0.1 %*			*1.2 %*	*0.5 %*		
Total operating expenses	$ 572.1	$ 532.7	$ 39.4	7 %	$ 1,756.1	$ 1,601.7	$ 154.4	10 %
Percentage of net revenues	*48.1 %*	*46.8 %*			*51.1 %*	*49.7 %*		

Three Months Ended September 30, 2021 compared with the Three Months Ended September 30, 2020

Total operating expenses increased primarily due to higher variable compensation, and to a lesser extent, increases in headcount-related costs primarily due to the recent acquisitions.

Nine Months Ended September 30, 2021 compared with the Nine Months Ended September 30, 2020

Total operating expenses increased primarily due to higher variable compensation and higher restructuring costs, and to a lesser extent, increases in headcount-related costs primarily due to the recent acquisitions.

Loss on Extinguishment of Debt

During the nine months ended September 30, 2021, we incurred a loss on extinguishment of debt of $60.6 million related to the redemption of the remainder of our outstanding Senior Notes maturing in 2024 and June 2025. The loss primarily consists of a premium on the early redemption and acceleration of unamortized debt discount and fees on the redeemed debt.

Other Expense, Net

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Interest income	$ 3.0	$ 6.1	$ (3.1)	(51)%	$ 10.5	$ 30.4	$ (19.9)	(65)%
Interest expense	(12.2)	(19.1)	6.9	(36)%	(38.5)	(58.5)	20.0	(34)%
Gain on investments, net	0.7	2.0	(1.3)	(65)%	3.3	2.7	0.6	22 %
Other	0.2	(2.5)	2.7	N/M	0.5	(3.6)	4.1	N/M
Total other expense, net	$ (8.3)	$ (13.5)	$ 5.2	(39)%	$ (24.2)	$ (29.0)	$ 4.8	(17)%
Percentage of net revenues	*(0.7)%*	*(1.2)%*			*(0.7)%*	*(0.9)%*		

N/M - Not meaningful

Three Months Ended September 30, 2021 compared with the Three Months Ended September 30, 2020

Total other expense, net, decreased primarily due to lower interest expense related to our debt portfolio, partially offset by lower interest income related to our fixed income investment portfolio, as a result of lower yields from a lower average portfolio balance.

Nine Months Ended September 30, 2021 compared with the Nine Months Ended September 30, 2020

Total other expense, net, decreased primarily due to lower interest expense related to our debt portfolio, partially offset by lower interest income related to our fixed income investment portfolio, as a result of lower yields from a lower average portfolio balance.

Income Tax (Benefit) Provision

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Income tax provision (benefit)	$ 22.9	$ (33.8)	$ 56.7	N/M	$ 29.0	$ (1.0)	$ 30.0	N/M
Effective tax rate	*20.5 %*	*(30.3)%*			*19.5 %*	*(0.4)%*		

N/M - Not meaningful

The effective tax rate increased during the three and nine months ended September 30, 2021, compared to the same periods in 2020, primarily due to a change in the effect of discrete items in the comparative periods. For further explanation of our income tax (benefit) provision, see Note 13, *Income Taxes*, in Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report.

Our effective tax rate may fluctuate significantly on a quarterly basis and may be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates. Our effective tax rate may also fluctuate due to changes in the valuation of our deferred tax assets or liabilities, or by changes in tax laws, regulations, or accounting principles, as well as certain discrete items. See Item 1A of Part I, "Risk Factors" of this Report for a description of relevant risks which may adversely affect our results.

As a result of recommendations by the Organisation for Economic Co-operation and Development ("OECD") on Base Erosion and Profit Shifting, certain countries in EMEA and APAC have either enacted new corporate tax legislation or are considering enacting such legislation in the near future. We expect the effect of these reform measures to potentially impact long-standing tax principles, particularly in regard to transfer pricing. Consequently, we expect global tax authorities to increasingly challenge our cost sharing and other intercompany arrangements, and the related sourcing of taxable profits in global jurisdictions.

Liquidity and Capital Resources

We have funded our business primarily through our operating activities and the issuance of our long-term debt. The following table presents our capital resources (in millions, except percentages):

	As of			
	September 30, 2021	December 31, 2020	$ Change	% Change
Working capital	$ 1,100.5	$ 1,110.1	$ (9.6)	(1)%
Cash and cash equivalents	$ 1,010.7	$ 1,361.9	$ (351.2)	(26)%
Short-term investments	321.1	412.1	(91.0)	(22)%
Long-term investments	504.0	656.6	(152.6)	(23)%
Total cash, cash equivalents, and investments	1,835.8	2,430.6	(594.8)	(24)%
Short-term portion of long-term debt	—	421.5	(421.5)	(100)%
Long-term debt	1,692.0	1,705.8	(13.8)	(1)%
Cash, cash equivalents, and investments, net of debt	$ 143.8	$ 303.3	$ (159.5)	(53)%

Summary of Cash Flows

The following table summarizes cash flow activity from our Condensed Consolidated Statements of Cash Flows (in millions, except percentages):

	Nine Months Ended September 30,			
	2021	2020	$ Change	% Change
Net cash provided by operating activities	$ 573.7	$ 486.2	$ 87.5	18 %
Net cash (used in) provided by investing activities	$ (1.8)	$ 86.0	$ (87.8)	(102)%
Net cash used in financing activities	$ (918.4)	$ (444.4)	$ (474.0)	107 %

Operating Activities

Net cash provided by operations increased primarily due to higher collections, partially offset by higher supplier payments and higher payments for employee compensation.

Investing Activities

During the nine months ended September 30, 2021, the payment for the acquisition of Apstra was $175.0 million and the payments for the purchases of property and equipment was $69.5 million, which were partially offset by the $242.7 million net proceeds from sales, maturities and redemptions of investment. During the nine months ended September 30, 2020, the net proceeds from sales, maturities and redemptions of investments was $108.6 million.

Financing Activities

Net cash used in financing activities increased during the nine months ended September 30, 2021, compared to the same period in 2020, primarily due to the $423.8 million redemption of debt and $58.3 million payment for debt extinguishment costs during the nine months ended September 30, 2021.

Capital Return

During the nine months ended September 30, 2021, we repurchased 11.0 million shares of our common stock in the open market for an aggregate purchase price of $285.0 million at an average price of $25.80 per share.

As of September 30, 2021, there was approximately $1.0 billion of authorized funds remaining under the 2018 Stock Repurchase Program.

Future share repurchases under the 2018 Stock Repurchase Program will be subject to a review of the circumstances at that time and will be made from time to time in private transactions or open market purchases as permitted by securities laws and other legal requirements. Our 2018 Stock Repurchase Program may be discontinued at any time. See Note 10, *Equity,* in the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report for further discussion of our share repurchase program.

We declared and paid a quarterly cash dividend of $0.20 per share, totaling $65.0 million and $194.9 million during the three and nine months ended September 30, 2021, respectively. Although we remain committed to paying our dividend, 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 16, *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 September 30, 2021.

Revolving Credit Facility

We have an unsecured revolving credit facility, which enables borrowings of up to $500.0 million, with an option to increase the amount of the credit facility by up to an additional $200.0 million, subject to the lenders' approval. The credit facility will terminate in April 2024. As of September 30, 2021, we were in compliance with all covenants and no amounts were outstanding under our credit facility.

Liquidity and Capital Resource Requirements

Liquidity and capital resources may be impacted by our operating activities as well as acquisitions, investments in strategic relationships, repurchases of additional shares of our common stock, and payment of cash dividends on our common stock. Since the enactment of the Tax Cuts and Jobs Act, we have repatriated a significant amount of cash, cash equivalents, and investments from outside of the U.S., and plan to continue to repatriate on an ongoing basis, subject to our consideration of strategic overseas investments. We intend to use the repatriated cash to invest in the business, support value-enhancing merger and acquisitions, or M&A, 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, together with cash generated from operations and access to capital markets and the revolving credit facility will be sufficient to fund our operations; planned stock repurchases and dividends; capital expenditures; commitments and other liquidity requirements; and anticipated growth for at least the next twelve months. 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; and the risks and uncertainties detailed in the “Risk Factors” section of Item 1A of Part II of this Report.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Our exposures to market risk have not changed materially since December 31, 2020. 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 Securities Exchange Act of 1934, as amended (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 third quarter of 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any significant impact to our internal controls over financial reporting despite the fact that most of our employees continue to work remotely due to the COVID-19 pandemic. The design of our processes and controls allows for remote execution with accessibility to secure data. We are continually monitoring and assessing the COVID-19 situation to minimize the impact, if any, on the design and operating effectiveness on our internal controls.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings***

The information set forth under the "Legal Proceedings" section in Note 15, *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***

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 OUR BUSINESS STRATEGY AND INDUSTRY

The COVID-19 pandemic has significantly affected how we and our customers are operating our businesses, and the duration and extent to which this will impact our future results of operations and financial performance remains uncertain. The COVID-19 pandemic has, and may continue to, negatively affect our operations, including as a result of external factors beyond our control such as restrictions on the physical movement of our employees, contract manufacturers, component suppliers, partners, and customers. The majority of our global workforce has been working remotely since March 2020, and we continue to follow the guidance of local and national governments for employees who have returned or will be returning to our offices. If the COVID-19 pandemic and the reopening process have a substantial impact on our employees, partners, or customers health, attendance or productivity, our results of operations and overall financial performance may be adversely impacted. Numerous ongoing emerging governmental regulations in the U.S. and other countries, including those regarding COVID-19 vaccination mandates and ongoing testing requirements, may negatively impact our operations and increase the complexity of managing the pandemic.

Moreover, the conditions caused by the pandemic may affect the overall demand environment for our products and services and could adversely affect our customers' ability or willingness to purchase our products or services or to make payments on existing contracts with us, either delay or accelerate customers' purchasing decisions, delay the provisioning of our offerings, lengthen payment terms, lengthen delivery times, or affect attrition rates, all of which could adversely affect our future sales, operating results and overall financial performance. Further, the pandemic has and could continue to adversely affect our ability to provide or deliver products and on-site services to our customers. For example, the COVID-19 pandemic has caused us to experience supply constraints due to both constrained manufacturing capacity as well as shortages of component parts as our component vendors also faced manufacturing challenges. This has resulted in extended lead-times to our customers and increased logistics costs, which negatively impacted our ability to recognize revenue and decreased our gross margins for these periods, and may impact our ability to convert backlog into revenue. Our backlog may not be a reliable indicator of future operating results because a customer may cancel an order without significant penalty. Challenges to our supply chain due to the impact of the pandemic remain dynamic, including ongoing shortages of component parts, and we continue to experience increased logistics costs due to air travel and transport restrictions that limited the availability of flights on which we were able to ship products. Additionally, cost increases and extended shipping times for ocean transit have increased our dependence on higher-cost air freight.

The duration and extent of the impact from the COVID-19 pandemic on our business depends on future developments that cannot be accurately forecasted at this time, such as the transmission rate and geographic spread of the disease and its variants, the extent and effectiveness of containment actions, the world-wide distribution and acceptance of vaccines, and the impact of these and other factors on our employees, customers, partners, and vendors. If we are not able to respond to and manage the impact of such events effectively and if the macroeconomic conditions of the general economy or the industries in which we operate do not improve, or worsen from present levels, our business, operating results, financial condition and cash flows could continue to be adversely affected.

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;
- ability to fulfill orders received in a timely manner due to disruptions and shortages in our global supply chain;
- increased advance ordering by customers of our products due to industry-wide supply chain concerns and our increased lead times;
- 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, which may be impacted by the COVID-19 pandemic;
- statutory authority for government customers to purchase goods and services;
- executive orders, tariffs, changes in laws or regulations and accounting rules, or interpretations thereof;
- 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, outbreaks of disease, such as the COVID-19 pandemic, or earthquakes, floods, fires, or other natural disasters and other unanticipated extraordinary externalities, including extreme weather conditions due to climate change that increase both the frequency and severity of natural disasters.

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. This may happen again, and the price of our common stock may decline. In addition, our failure to pay quarterly dividends to our stockholders or the failure to meet our commitments to return capital 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 services we provide, increased price competition in one or more of the markets in which we compete, modifications to our pricing strategy to gain footprint in markets or with customers, currency fluctuations that impact our costs or the cost of our products and services to our customers, increases in material, labor, logistics, warranty costs, or inventory carrying costs, excess product component or obsolescence charges from our contract manufacturers, 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. Failure to sustain or improve our gross margins reduces our profitability and may have a material adverse effect on our business and stock price.

We derive a material portion of our revenues from a limited number of our customers, and our customers compete in industries that continue to experience consolidation. A material portion of our net revenues, across each customer vertical, depends on sales to a limited number of customers. If 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.

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 a number of well-established companies. We also compete with other public and private companies that are developing competing technologies to 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 or resell 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 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 against existing or future competitors, 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 in the past 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, continued turmoil in the geopolitical environment in many parts of the world and other events beyond our control, such as the COVID-19 pandemic, have, and may continue to, put pressure on economic conditions, 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 restructure our business. Our ability to successfully offer our products and services 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 response to fluctuating market opportunities and conditions. 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, in the last few years and in 2021, 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, or if other unforeseen events occur, our business 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 in order 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 the business opportunities and manage numerous risks, including, but not limited to: problems combining the purchased 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, 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 many factors outside of our control. There can be no assurance that our previous or future acquisitions will be successful or that we will be able to successfully integrate any businesses, products, technologies, or personnel that we might acquire or that the transaction will advance our business strategy. 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 initiatives 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 and no assurance can be given that any acquisitions or divestitures will not 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, that 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, and other 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 or our customers were to continue to accelerate ordering of our products in response to global supply constraints, extended lead-times or other market pressures, 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 accounts for a significant portion of our revenue, comprising 36%, 35%, and 33% of total revenue in fiscal years 2020, 2019, and 2018, respectively. We expect our sales of new or renewal professional services, support, and maintenance 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 and 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 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, such as the COVID-19 pandemic. 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.

If we do not successfully 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 present and future 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, there can be no assurance that any new products, enhancements or business strategies will achieve widespread 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 current or new 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;
- 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 current or new 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 cancelled. 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. There can be no assurance that any of our patent applications will result in issued patents with the scope of the claims we seek or that any of our patents or other proprietary rights will not be challenged, invalidated, infringed or circumvented or that our rights will, in fact, provide competitive advantages to us or protect our technology. 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 assure you that we have entered into such 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, stolen or unfit versions of our products, which has happened in the past and could happen in the future. Such sales 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. The outcome of any actions taken in these foreign countries may be different than if such actions were determined under 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 manufactures, and suppliers, and the long lead times required to manufacture, assemble and deliver certain products, problems could arise in production, planning and inventory management that could seriously harm our business. For example, there is currently a worldwide shortage of key components, such as semiconductor products, that has caused us to experience increased prices and extended lead times for certain key components. The shortage of semiconductors has caused a significant disruption to our production schedule and may give rise to a substantial adverse effect on our financial condition or results of operations. 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. Although we have contracts with our manufacturers that include terms to protect us in the event of an early termination, 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, including delays due to the manufacturing restrictions, travel restrictions and other restrictions to control the spread of COVID-19. 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, disruptions to our supply chain, pandemics, 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. 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. Additionally, if certain components that we receive from our suppliers have defects or other quality issues, we may have to replace or repair such components, and we could be subject to claims based on warranty, product liability, epidemic or delivery failures that could lead to significant expenses.

- *Supply-chain Disruption.* Any disruptions to our supply chain, significant increase in component costs, 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 supplier's plants or shipping delays due to efforts to limit the spread of COVID-19, market shortages due to the surge in demand from other purchasers for critical components, increases in prices, the imposition of regulations, quotas or embargoes or tariffs on components or our products themselves, labor stoppages, transportation delays 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, 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, 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 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 addition, the lead times associated with certain components are lengthy. For example, there is currently a worldwide shortage of semiconductor products that has caused us to experience increased prices and extended lead times of over 50 weeks on some semiconductor products, and we expect these increased prices and extended lead times for semiconductor products to continue for the foreseeable future, which may impact our production and delivery schedules or affect the price of semiconductor products. Also, long-term supply and maintenance obligations to customers increase the duration for which specific components are required, which may further increase the risk of component shortages or the cost of carrying inventory. In the event of a component shortage, supply interruption or significant price increase from these suppliers, we may not be able to locate alternative sources in a timely manner. If we are unable to buy these 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.

- *COVID-19 Impact.* Delays in production or in product deliveries due to the COVID-19 pandemic have adversely affected and may continue to adversely affect our business, financial condition, and results of operations. For example, we experienced supply constraints due to both constrained manufacturing capacity, as well as component parts shortages as our component vendors were also facing supply constraints, and increased logistics costs due to air travel and transport restrictions that limited the availability of flights on which we ship our products. Additionally, cost increases and extended shipping times for ocean transit have increased our dependence on higher-cost air freight. These challenges resulted in extended lead-times to our customers and had a negative impact on our ability to recognize associated revenue and has resulted in and may continue to result in an increase in accelerated ordering for certain of our products. We continue to work with government authorities and implement safety measures to ensure that we are able to continue manufacturing and distributing our products during the COVID-19 pandemic; however, we could still experience an unforeseen disruption to our supply chain that could impact our operations.

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. On an ongoing and regular basis, 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 breaches and may be subject to or vulnerable to breaches or attacks, including ransomware and distributed denial-of-service attacks, in the future. 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, which have not been remedied and cannot be disclosed without compromising security, 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, and 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 inevitable vulnerabilities or security defects. 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 current or potential 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 systems and processes of and IT services provided by third parties, and the interfaces between the two. For example, IBM currently provides us with 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 including service desk. In October 2020, IBM announced its intention to spin-off its Managed Infrastructure Services (the "IBM Spin-off"), which provides services to us, into a new, publicly traded company. These cloud providers, third party providers, and off-site facilities are vulnerable to damage, interruption, including performance problems from earthquakes, hurricanes, floods, fires, power loss, telecommunications failures, equipment failure, adverse events caused by operator error, cybersecurity attacks, pandemics, and similar events. In addition, because we lease 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, including any material, unforeseen transition issues that arise in connection with the IBM Spin-off, 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 or if our existing personnel were harmed by COVID-19. Our future 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, which may be impacted by various COVID-19 vaccine and testing mandates, as well as our ability to maintain the health of our personnel, including during the COVID-19 pandemic. 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. 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. There can be no assurance that others will not develop technologies that are similar or superior to our technology.

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. Additionally, pandemics, such as the COVID-19 pandemic, may interfere with our ability to hire or retain personnel. Any of these restrictions could have a material adverse effect on our business, results of operations and financial conditions.

LEGAL, REGULATORY, AND COMPLIANCE RISKS

We are a party to lawsuits, investigations, and other disputes. We have been named a party to litigation involving employment matters, commercial transactions, 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. For example, certain U.S. governmental 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 making a payment of $11.8 million in August 2019. The asserted claims and/or initiated litigation may include claims against us or our manufacturers, suppliers, partners, or customers, alleging that our products or services infringe proprietary rights. 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 and operations. 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. 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 satisfy indemnification obligations that we have with some of our customers, 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.

In addition, increased patent litigation brought against customers in recent years, may result, and in some cases has resulted, in customers requesting or requiring vendors 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.

Non-standard contract terms with telecommunications, cable and cloud service provider companies and other large 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, generally have greater purchasing power than smaller entities and often request and receive more favorable terms from suppliers. We may be required to agree to such terms and conditions, which may include terms that affect the 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.

In addition, other vendors may have promised but failed to deliver certain functionality to these types of customers and/or had products that caused problems or outages in their networks. As a result, these customers may request additional features from us and require substantial penalties for failure to deliver such features or for any network outages that may or may not have been caused by our products. If we are required to agree to these requests or incur penalties, the amount of revenue recognized from such sales may be negatively impacted and as a result, may negatively affect our business, financial condition and results of operations.

Regulation of our industry or those of our customers could harm our operating results and future prospects. We are subject to laws and regulations affecting the sale of our products in a number of areas. For example, some governments have regulations prohibiting government entities from purchasing security 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. These types of regulations are in effect or under consideration in several jurisdictions where we do business.

The SEC requires us, as a public company who uses certain raw materials that are 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 and suppliers could suffer if we are unable to describe our products as “conflict-free.” 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 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. 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, we are subject to federal regulations pertaining to our IT systems that requires compliance with certain 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.

Moreover, our customers in the telecommunications industry may be subject to regulations and our business and financial condition could be adversely affected by changes in such regulations affecting our customers. 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 and implementing 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 in particular geographies, 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 adoption and 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 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, Congress has enacted bans on the use of certain Chinese-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). On March 22, 2021, U.S. regulations titled Securing the Information and Communications Technology and Services Supply Chain, commonly known as the “ICTS Rule,” became effective, which authorizes the U.S. Department of Commerce to counter perceived international threats to the U.S. supply chain for a potentially wide range of transactions involving information and communications technology or services. Many aspects of the ICTS Rule are unclear, including the scope of affected transaction types and the manner in which the ICTS Rule will be implemented. Consequently, the ICTS Rule 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 Communications Technology supply chains, government network capabilities and requirements, and cyber threat and vulnerability remediation. Any or all of 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.

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 or could impact our business include the following:

- The General Data Protection Regulation imposes stringent data protection requirements and provides significant penalties for noncompliance. We have relied on the use of standard contractual clauses approved by the European Union (“EU”) Commission to legitimize the transfer of personal data outside of the EU to certain jurisdictions, including the U.S. The standard contractual clauses have been subject to legal challenge. In relation to the “Schrems II” decision by the Court of Justice of the EU on July 16, 2020, and its impact on our data transfer mechanism, we may experience additional costs associated with increased compliance burdens and new contract negotiations with third parties that aid in processing of data on our behalf. Further, in June 2021, the European Commission issued new standard contractual clauses that we will need to enter into with our customers, which will cause us to incur costs and allocate resources in order to manage the contract updating process. We may face reluctance or resistance by our current and prospective customers to use our products and services. We may also 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.

- On January 31, 2020, the United Kingdom (“U.K.”) withdrew from the EU, commonly referred to as “Brexit”. There is significant uncertainty related to how data flows in and out of the U.K. will be affected if the U.K. does not receive a final adequacy decision. We may experience additional costs associated with increased compliance burdens and new contract negotiations with third parties depending on the outcome of the adequacy discussions.

- Data protection legislation is also becoming increasingly common in the U.S. at both the federal and state level. The effects of the California Consumer Privacy Act (“CCPA”), which became effective and enforceable in 2020, and other similar laws may require us to modify our data processing practices and policies, adapt our goods and services, and incur substantial costs and expenses to comply. The CCPA also provides for civil penalties for violations and a private right of action for data breaches that may increase the frequency and cost associated with data breach litigation. Further, the new California Privacy Rights Act (“CPRA”) which was passed in November 2020 and will come into effect on January 1, 2023, with a “lookback” period to January 1, 2022, significantly modifies the CCPA. Likewise, the Virginia Consumer Data Protection Act, which provides similar rights, will take effect on January 1, 2023. These modifications and any new legislation may result in additional uncertainty and require us to incur additional costs and expenses in our effort to comply.

- 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. In addition, 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. and non-U.S. governments are considering regulating artificial intelligence (“AI”) and machine learning, which may impact our products and services and cause us to incur costs and expenses in order to comply. Specifically, the EU recently published a draft AI regulation; if passed, the new law would cause us to incur costs and expenses in order to comply.

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., 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 September 30, 2021, our goodwill was $3,754.1 million, and our purchased intangible assets were $295.1 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 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; expiration of, or lapses in, the research and development ("R&D") tax credit 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.

Currently, as part of a plan to modernize the nation's infrastructure, the U.S. President has proposed raising taxes on corporations by increasing the federal statutory rate and eliminating certain favorable provisions, some of which were adopted in the Tax Cuts and Jobs Act of 2017. If adopted, these proposals may have a material effect on the Company's earnings. 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. Recently, 136 out of 140 member countries of the OECD/G20 Inclusive Framework agreed to certain tax principles, including a global minimum tax of 15%. 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. Although we believe that our estimates are reasonable, 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;
- the impact of the recent COVID-19 pandemic, and any other adverse public health developments, epidemic disease or other pandemic in the countries in which we operate or where our customers are located;
- the imposition of government controls, inclusive of critical infrastructure protection;
- changes in trade controls, economic sanctions, or other international trade regulations, 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 (e.g., U.S. federal government departments and agencies) 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;
- fluctuations in local economies, including inflation;
- 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; 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.

Moreover, 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. There can be no assurance that our employees, contractors, channel partners, and agents will not take actions in violation of our policies and procedures, which are designed to 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 September 30, 2021, we had $1,700.0 million in aggregate principal amount of senior notes, which we refer to collectively as (the “Notes”). In April 2019, we entered into a credit agreement (the “Credit Agreement”) with certain institutional lenders that provides for a five-year $500.0 million unsecured revolving credit facility (the “Revolving Credit Facility”).

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 and other factors discussed in this section. However, there can be no assurance that we will be able to manage any of these risks successfully.

The indenture that governs the Notes contains various covenants that limit our ability and the ability of our subsidiaries to, among other things: incur 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 two financial covenants 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 an interest coverage ratio no less than 3.0x; 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 financial strength as well as transparency with rating agencies and timeliness of financial reporting. There can be no assurance that we will 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 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. 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. 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.

The elimination of LIBOR after June 2023 may affect our financial results. All LIBOR tenors, which are relevant to the Company will cease to be published or will no longer be representative after June 30, 2023, and therefore, any of our LIBOR-based borrowings that extend beyond June 30, 2023 will need to be converted to a replacement rate. In the United States, the Alternative Reference Rates Committee, or ARRC, has recommended the Secured Overnight Financing Rate ("SOFR") plus a recommended spread adjustment as LIBOR's replacement. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate, and SOFR is an overnight rate while LIBOR reflects term rates at different maturities. If our LIBOR-based borrowings are converted to SOFR, the differences between LIBOR and SOFR, plus the recommended spread adjustment, could result in interest costs that are higher than if LIBOR remained available, which could have a material adverse effect on our operating results. Although SOFR is the ARRC's recommended replacement rate, it is also possible that lenders may instead choose alternative replacement rates that may differ from LIBOR in ways similar to SOFR or in other ways that would result in higher interest costs for us. It is not yet possible to predict the magnitude of LIBOR's end on our borrowing costs given the remaining uncertainty about which rates will replace LIBOR.

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. 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

The following table provides stock repurchase activity during the three months ended September 30, 2021 (in millions, except per share amounts):

Period	Total Number of Shares Purchased(*)	Average Price Paid per Share(*)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(*)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(*)
July 1 - July 31, 2021	0.3	$ 27.94	0.3	$ 1,082.5
August 1 - August 31, 2021	1.4	$ 28.51	1.4	$ 1,040.0
September 1 - September 30, 2021	—	$ —	—	$ 1,040.0
Total	1.7		1.7	

(*) Shares were repurchased under our Board approved 2018 Stock Repurchase Program, which authorizes us to purchase an aggregate of up to $3.0 billion of our common stock. Future share repurchases will be subject to a review of the circumstances in place at that time and will be made from time to time in private transactions or open market purchases as permitted by securities laws and other legal requirements, including Rule 10b-18 promulgated under the Exchange Act. This program may be discontinued at any time. For the majority of restricted stock units granted to executive officers of the Company, the number of shares issued on the date the restricted stock units vest is net of shares withheld to meet applicable tax withholding requirements. Although these withheld shares are not issued or considered common stock repurchases under our stock repurchase program and therefore are not included in the preceding table, they are treated as common stock repurchases in our financial statements as they reduce the number of shares that would have been issued upon vesting, see Note 10, *Equity*, in Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report.

Item 5. ***Other Information***

Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Securities Exchange Act of 1934, as amended, require an issuer to disclose certain information in its annual and quarterly reports, as applicable, if it or any of its affiliates knowingly engaged in certain activities, transactions or dealings related to Iran or with certain individuals or entities that are subject to specific U.S. economic sanctions during the relevant reporting period. In certain instances, such disclosure is required even where the activities, transactions or dealings are conducted in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.

On March 2, 2021, the U.S. government designated the Russian Federal Security Service (the “FSB”) as a blocked party under Executive Order 13382; however, on the same day, the U.S. Department of the Treasury’s Office of Foreign Assets Control issued General License No. 1B (the “OFAC General License”), which generally authorizes U.S. companies to engage in certain transactions and dealings with the FSB necessary and ordinarily incident to requesting or obtaining licenses, permits, certifications or notifications issued or registered by the FSB for the importation, distribution or use of information technology products in the Russian Federation.

In the normal course of business, the Company or its subsidiaries file notifications with, or apply for import licenses and permits from, the FSB as required pursuant to Russian encryption product import controls for the purpose of enabling the Company or its subsidiaries or their channel partners to import and distribute certain products in the Russian Federation. In the quarter that ended September 30, 2021, as permitted and authorized by the OFAC General License, the Company filed notifications with and/or applied for import licenses and permits from the FSB. There are no gross revenues or net profits directly associated with these activities, and the Company and its subsidiaries do not distribute or sell products or provide services to the FSB. The Company expects that we or our subsidiaries will continue to file notifications with and apply for import licenses and permits from the FSB to qualify our products for importation and distribution in the Russian Federation if and as permitted by applicable U.S. law, including the OFAC General License.

Table of Contents

Item 6. ***Exhibits***

Exhibit Number	Description of Document
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 September 30, 2021, 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 September 30, 2021, formatted in Inline XBRL (included in Exhibit 101)*

*Filed herewith.

**Furnished herewith.

++Indicates management contract.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant had duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Juniper Networks, Inc.

October 29, 2021	By:	/s/ Thomas A. Austin
		Thomas A. Austin
		Vice President, Corporate Controller and Chief Accounting Officer
		(Duly Authorized Officer and Principal Accounting Officer)

EXHIBIT 31.1

Certification of Principal Executive Officer
Pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Rami Rahim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Juniper Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2021

/s/ Rami Rahim
Rami Rahim
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Principal Financial Officer
Pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Kenneth B. Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Juniper Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2021

/s/ Kenneth B. Miller
Kenneth B. Miller
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350 As Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Rami Rahim, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Juniper Networks, Inc. on Form 10-Q for the three months ended September 30, 2021, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Juniper Networks, Inc.

/s/ Rami Rahim
Rami Rahim
Chief Executive Officer
October 29, 2021

EXHIBIT 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350 As Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Kenneth B. Miller, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Juniper Networks, Inc. on Form 10-Q for the three months ended September 30, 2021, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Juniper Networks, Inc.

/s/ Kenneth B. Miller
Kenneth B. Miller
Executive Vice President, Chief Financial Officer
October 29, 2021