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Juniper Networks Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Ladies and gentlemen, at this time, we will begin conducting the question and answer session.
(Operator Instructions)

Our first question comes from the line of Jeff Evanson with Sanford Bernstein. Please proceed with your question.

Jeff Evenson - Sanford Bernstein

Sure. I was wondering if you could give some comments on the thought process that service providers are going through as they reconfigure the timing of their orders.

Kevin Johnson

Yeah, I guess the way I would frame it is the projects that are underway are still underway. And, in many ways, my view is that like many other customers, they're watching their revenue streams towards the end of the quarter and they're being thoughtful on which side of the quarterly boundary they want to see their CapEx investments fall. But, it really has nothing to do with the project roadmap, it has more to do with being thoughtful about that financial management. And, so, in many ways, the conversations that I've had with our largest service provider customers, you know, we're committed to help continue to drive forward on these projects and that's why customer satisfaction becomes such a priority for us. We're going to partner and work with these service providers as we work through this downturn. And, it's not so much a question of if the demand's growing and if these projects are going to happen. It's more a question of when and the timing of how things fall quarter-to-quarter. And, that would be my perspective.

Jeff Evenson - Sanford Bernstein

So since projects are continuing, are they doing something different with just normal maintenance to existing networks or upgrades to existing capacity?

Kevin Johnson

Well, you have both. I mean, you have people that are doing upgrades to existing networks that have been deployed. And, they're also doing new projects in convergence to lay in new services, new capabilities. So, there's a full range of projects. But, it's more a function of I think short-term fiscal management of which quarterly - you know, you look at the quarterly boundary where CapEx expenses are going to fall. But, these projects are continuing.

Jeff Evenson - Sanford Bernstein

Thanks.

Operator

Our next question comes from the Nikos Theodosopoulos with UBS. Please proceed with your question.

Nikos Theodosopoulos - UBS

Thank you. I wanted to touch on a couple of things. The comment about, I'm not sure if I heard this right, but it sounded like you're planning to increase operating expenses about I think you said 14-15% for the year. If I just look at the last couple of quarters, you know, OpEx has been generally flattish, and if I use the run rate and just keep that constant, it would be more of a flat OpEx in '09 over '08. So, it sounds like you plan on increasing OpEx throughout each of the quarters of next year. Is this based on confidence that March is going to be the lowest quarter on revenue and you would expect it to increase because if there is not a lot of visibility? I'm trying to understand why would OpEx keep increasing throughout the year.

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