

Vol 1 Issue 14 | March 25, 2024

# THE DEAL DESK

GFMC Newsletter

## Hewlett Packard Enterprise (HPE) to acquire Juniper Networks (JNPR) for \$14 Billion

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**Big news in the tech world!** Hewlett Packard Enterprises (HPE), known for its computer hardware and software, is acquiring networking giant Juniper Networks, Inc. (JNPR) in a \$14 billion deal. This move promises exciting changes for both companies, their customers, and the industry. This is an all-cash transaction, where HPE would be buying shares at around \$40 each. To fund this transaction, valued at \$14 billion, HPE has secured financing commitments for \$14 billion in term loans. These loans will eventually be replaced by a combination of new debt issuances, mandatory convertible preferred securities, and existing cash reserves. While still subject to regulatory approvals and standard closing conditions, the deal is expected to be finalized by late 2024 or early 2025.

For HPE, a leading provider of edge-to-cloud solutions, this acquisition directly aligns with its growth strategy. Absorbing JNPR's extensive networking portfolio will instantly increase the size of HPE's networking business unit. This expanded footprint enhances HPE's ability to deliver comprehensive, AI-driven networking and cloud solutions to meet the most complex customer demands.

### Complementary Capabilities

While HPE and JNPR are both major technology companies, their main business areas could fit together to make HPE interested in buying Juniper. Both companies make hardware and software for computer networking, but Juniper specializes more in networks for large

### About HPE and JNPR

HPE is an American multinational corporation that specializes in business information & technology. They offer a range of services and technologies, including cloud services, storage, and software, providing a unified experience across all IT environments.

JNPR specializes in IT networking solutions encompassing routers, switches, and security products. It also offers edge routers, data center solutions, wireless networking, and branch office infrastructure.

(USD in millions)	HPE	Juniper Networks
Revenue	29135.00	5564.50
EBITDA	5116.00	762.80
Market Capitalization	21746.10	11749.10
Cash and Cash Equivalents	3570.00	1068.10

"This transformative combination builds upon our proven track record of integrating companies with complementary strengths," stated Antonio Neri, President, and CEO of HPE. "Together, we will have an incredible opportunity to drive further innovation in the cloud era and beyond".

telecommunications companies and internet providers, while HPE focuses on networks for businesses and data centers. Their products overlap in growing tech areas like cloud computing, edge computing devices, and software that allows networks to be programmed and automated. Moreover, Juniper's strength in secure networking products like firewalls and virtual private networks could enhance HPE's services for companies using multiple cloud and on-premises systems. An acquisition could allow HPE to combine JNPR's data center switching and routing products with its own, and take advantage of joint capabilities in cloud, virtualization, and network management software.

Adding JNPR's networking know-how to HPE could result in a unified networking solution for business and telecom customers modernizing their digital capabilities.

## Unveiling the Strategy Behind HPE's Juniper Acquisition

**HPE's Growth Game:** By joining forces with JNPR, HPE aims to double its networking business, creating a powerhouse in the industry. This expanded portfolio includes cutting-edge technologies like AI-powered networking and cloud solutions, which are in high demand today. This strategic move positions HPE to capture a larger market share and accelerate its growth.

**Benefits for Customers:** Customers will have access to a wider range of solutions and benefit from the combined companies' expertise and innovation. Better, more efficient products optimized for hybrid cloud and AI environments are expected to emerge, potentially leading to competitive pricing and improved service.

**The AI Edge:** Juniper's expertise, especially in AI with its Mist AI and Cloud platform, adds a new dimension to HPE's offerings, potentially creating a powerhouse in cloud-native and AI-native network management. Moreover, the transaction expands HPE's addressable market into new, lucrative areas such as data center networking, firewalls, and routers.

**Financial upsides:** The HPE-Juniper deal expects to add value quickly.

**Higher Revenue:** Networking business doubles, bringing more money in.

**Better profits:** Juniper's strong margins lift HPE's overall profitability.

**Cost Savings:** \$450 million identified, meaning less needs to be spent.

This strategic consolidation combines Juniper's strengths in innovation, technology, and successful enterprise transformation—underscored by its acquisition and integration of Mist Systems—with HPE's robust channel and go-to-market strategies.

## Challenges

HPE's acquisition of Juniper Networks, valued at approximately \$14 billion and primarily financed through debt, is pending regulatory approval. Following the merger, HPE will encounter significant post-merger challenges, including:

**Effective Integration:** Seamlessly integrating technologies, cultures, and people is crucial for success, requiring careful planning and execution.

**Synergy Realization:** Achieving the estimated cost savings requires a smooth restructuring process, minimizing disruption to employees and customers.

**Market Competition:** Navigating the competitive landscape against established players like Cisco demands strategic focus and continuous innovation.

While the combined company would be a major player in networking, the deal may raise concerns from investors for several reasons. Firstly, HPE is paying a large premium for Juniper, essentially taking on significant debt to buy a company with flat revenue growth. This raises questions about the financial viability of the deal and future profitability.

Secondly, the strategic fit between the two companies is unclear. HPE has been trying to move towards cloud services, while Juniper is mainly a networking equipment provider. This merger could distract from HPE's strategic direction and further confuse its identity in the market.

## Conclusion

While significant execution risks and challenges inevitably lie ahead, HPE is making a strategic wager through this acquisition aimed at redefining the networking and artificial intelligence industries for the foreseeable future.

## References

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2. <https://www.wsj.com/business/deals/hewlett-packard-enterprise-strikes-14-billion-deal-to-buy-juniper-networks-a0343e99>
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## Trivia Quiz

1. Name the retirement savings plan offered by employers that has tax advantages.
2. ATM stands for Automated \_\_\_\_ Machine.
3. Considering different methods of depreciation, what does the acronym LIFO stand for?

## Answers to Trivia Quiz Issue 13

1. TransUnion
2. Issac
3. Preferred Stock

## About the Authors



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Isha is pursuing Masters in Finance and is a Graduate Teaching Assistant in Financial Management and Introduction to Financial Modelling. She has 2 years of professional experience in finance and law and enjoys traveling and playing chess.



**Madhumitha Muralidharan**  
**MS Finance Student**

Madhu is pursuing Masters in Finance and is a Graduate Teaching Assistant at JSOM Finance Lab. She aims to utilize her analytical skills and the knowledge gained from her Finance degree to build impactful financial models. She also loves pop culture and Formula 1!

## Alumni Spotlight



**Ayush Vyas**

**MS Finance 2022**

Ayush Vyas is a Valuation Associate at Ernst & Young, earning an MS in Finance from the University of Texas at Dallas. During his academic years, he gained hands-on experience in business valuation and private equity through multiple projects and coursework. He also received multiple honors and awards, such as the David Patterson Kieschnick Fellowship, the Dean's Impact Scholarship, and the 3rd Place Winner in the Fall 2022 Internal Trading Competition. Additionally, he served as the President of the GFMC.

Before EY, he worked as a Senior Financial Associate and a Financial Analyst II at Kanoria Dyes and Chemicals, preparing financial analysis reports, annual budgets, and resource allocation modules for senior management decision-making. He also audited an international cricket match between India and South Africa while working as a Financial Auditor at Anil Kamal Garg & Company.

Some valuable insights from his experiences at UTD were learning from others and being open to seeking help, which are crucial skills in any academic or professional setting. Being considerate and stepping out of one's comfort zone would lead to personal growth. Planning and self-awareness are important for staying organized and focused. Developing logical reasoning skills and understanding conceptual subjects are fundamental for academic success.

**The Deal Desk provides a platform to JSOM students to share their views on important events affecting the finance industry**

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