The Henry Fund
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ARISTA NETWORKS, INC (ANET)

April 24th, 2026

Information Technology – Internet Information Providers

Stock Rating **BUY**

Investment Thesis

Arista is the dominant Ethernet switching vendor for hyperscale AI infrastructure, capturing disproportionate share of a $20.8 billion cloud AI switching market growing 91% in 2026 and projected to reach $58 billion by 2030. Deep EOS integration creates switching costs that entrench Arista with Microsoft and Meta, both executing multi-year gigawatt-scale AI buildouts that translate near-linearly into sustained switch demand.

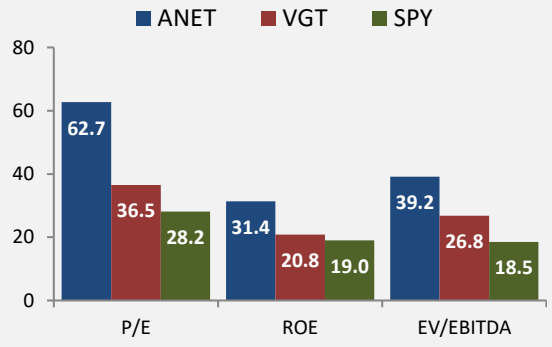
Drivers of Thesis

- **Hyperscaler AI Infrastructure Spending:** Rising AI training and inference demand are driving new network buildouts and the transition from 800G to 1.6T.
- **Campus & Routing Expansion: Arista** exceeded its $750M campus target in 2025 and is penetrating a $20B+ market where Cisco has historically dominated
- **Growth accompanied by Opex leverage:** As revenue scales faster than R&D and SG&A, Arista should benefit from operating leverage and margin expansion

Risks to Thesis

- **Valuation:** Premium valuation already reflects strong AI growth and competitive strength, leaving the stock vulnerable to any reset in TAM, market position, or deployment timing.
- **Customer Concentration:** Microsoft and Meta represented 42% of 2025 revenue, exposing Arista to changes in AI spending, architecture, or vendor mix at either customer
- **Competitive Intensity:** Nvidia's integrated AI stack and broader hyperscaler vendor diversification could pressure Arista's AI networking share over time.

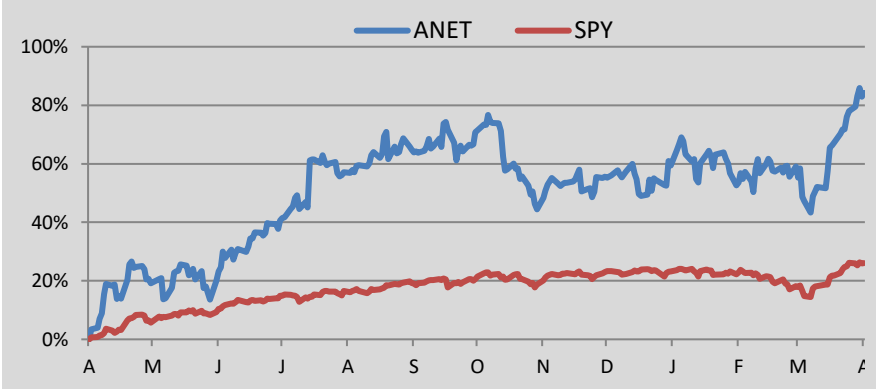
Target Price	183.25
Henry Fund DCF	183.25
Henry Fund DDM	N/A
Relative Multiple	123.91
Price Data	
Current Price (03/30/26)	$172.55
52wk Range	$70.36 – $178.48
Consensus 1yr Target	$181.63
Key Statistics	
Market Cap (B)	$216.82B
Shares Outstanding (M)	1,285.39M
Institutional Ownership	71.10%
Beta	1.74
Dividend Yield	0.0%
Est. 5yr Growth	20.5%
Price/Earnings (TTM)	47.60
Price/Earnings (FY1)	48.74
Price/Sales (TTM)	18.56
Price/Book (mrq)	13.31
Profitability	
Operating Margin	42.82%
Gross Profit Margin	64.06%
Return on Assets (TTM)	20.97%
Return on Equity (TTM)	31.40%



Earnings Estimates

Year	2023	2024	2025	2026E	2027E	2028E
EPS	$1.74	$2.27	$2.98	$3.54	$4.32	$5.27
HF est.				$3.77	$4.78	$6.08
growth	*51.3%*	*30.5%*	*31.3%*	*18.8%*	*22.0%*	*22.0%*

12 Month Performance



Company Description

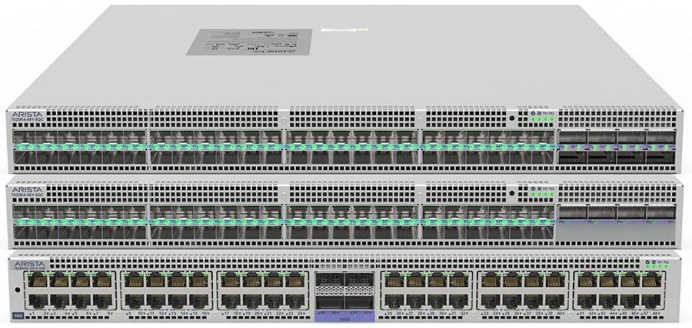
Arista Networks is a leading provider of cloud networking solutions, delivering high performance Ethernet switching and routing platforms for AI data centers, cloud infrastructure, and enterprise campus networks. Founded in 2008 and headquartered in Santa Clara, California, Arista serves hyperscalers, AI focused specialty providers, and enterprise customers across more than 100 countries. Evolving from its roots in Arastra, established in 2004, Arista went public as ANET in 2014 and entered the S&P 500 in 2018

COMPANY DESCRIPTION

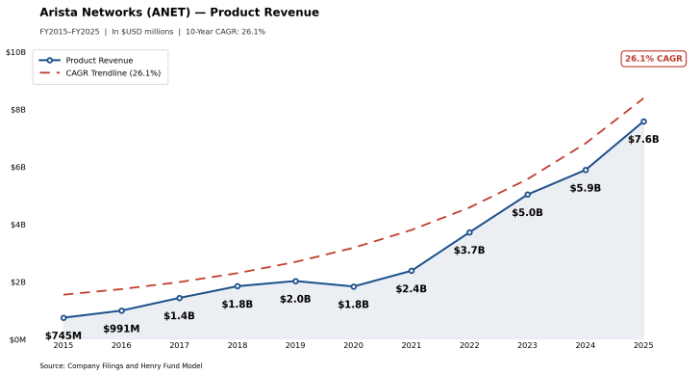
Arista disrupted the legacy networking market, dominated by Cisco, by building its products around a single, unified operating system called EOS (Extensible Operating System), which runs identically across its entire hardware portfolio. This software-first architecture allows customers to automate, monitor, and manage their networks at cloud scale, dramatically reducing operational complexity and cost. With artificial intelligence driving an unprecedented surge in data center investment, Arista is positioned as a primary beneficiary of the shift toward large scale Ethernet based AI cluster networking.

Revenue Segmentation

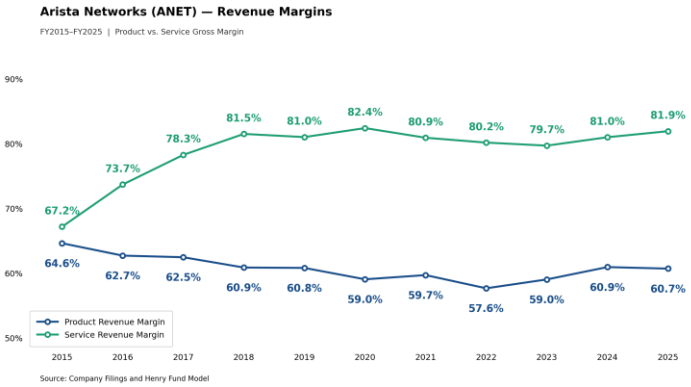
Arista mainly reports on two segments: Product and Service Revenue. Product revenue is Arista's dominant revenue stream, representing 84.1% of total revenue in fiscal year 2025, or $7.6 billion. This segment consists primarily of sales of Arista's Ethernet switching and routing platforms running EOS.



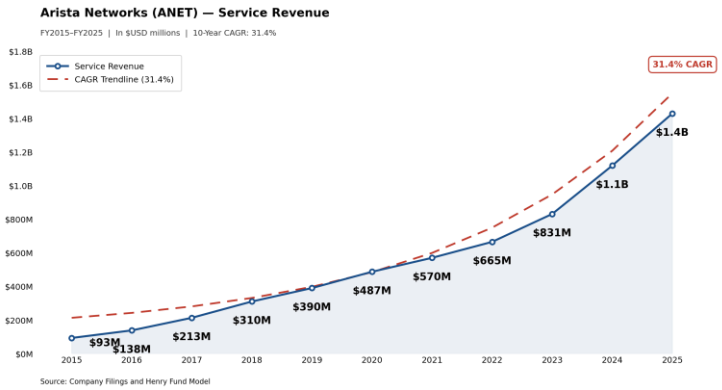
Product revenue grew 28.8% year over year in 2025, adding $1.7 billion in absolute terms, driven by healthy customer demand and higher shipments across the entire customer base. The primary growth engine has been AI infrastructure spending, as hyperscalers like Microsoft and Meta build out massive AI clusters requiring high throughput, low latency networking at scale.



The segment carries a gross margin of approximately 60.7%, which is lower than services due to hardware component costs including merchant silicon and memory. Product revenue is inherently lumpy, driven by the unpredictable timing of large customer orders, the complexity of large scale deployments, and shifts in customer capital expenditure cycles.



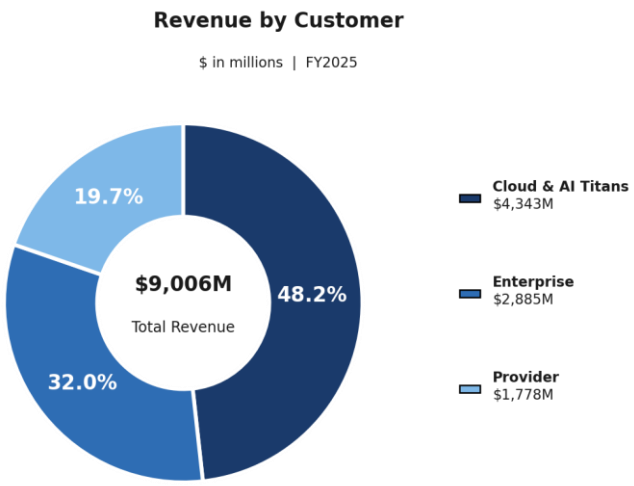
On the other hand, Service revenue accounted for 15.9% of total revenue in fiscal year 2025, or $1.4 billion, growing 27.7% year over year. This segment is derived almost entirely from post contract support (PCS) agreements, which customers purchase alongside hardware and renew annually or on multi-year terms. Because every product sale creates a future stream of support renewals, service revenue compounds alongside the installed base and is far more predictable than product revenue. The segment's gross margin of approximately 81.9% reflects the low incremental cost of supporting existing customers, making it the higher quality earnings stream in the business.



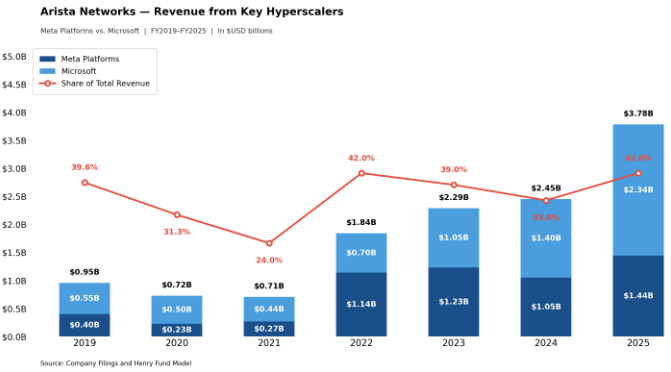
Revenue by Customer

Arista serves three distinct customer categories. The first, Cloud and AI Titans, comprises fewer than five customers and are Arista's largest and most strategically important customer group, comprising the world's leading

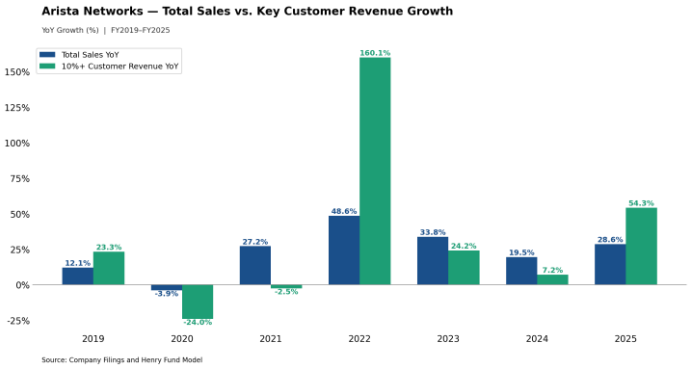
hyperscalers that build and operate massive data centers and AI infrastructure. In fiscal year 2025, this vertical accounted for approximately 48% of total revenue. Microsoft and Meta are the two anchor customers within this group, each individually exceeding 10% of total revenue for multiple consecutive years. Specifically, Microsoft represented 16% of revenue in 2025 and 20% in 2024, while Meta represented 26% in 2025 and 15% in 2024.



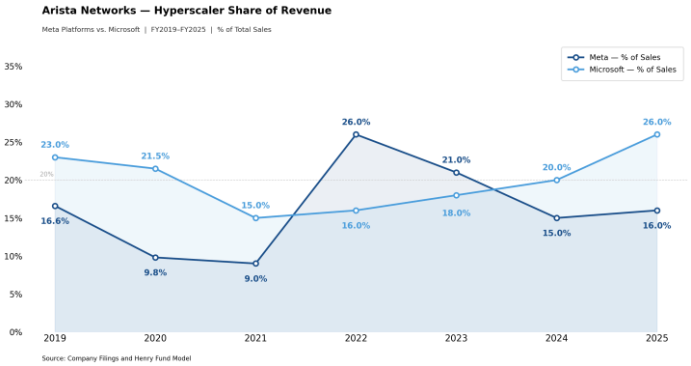
Together they accounted for approximately 42% of revenue in 2025. The growth trajectory of this segment is closely tied to hyperscaler capital expenditure cycles, particularly spending on AI clusters and next generation data centers.



Demand from this group is the primary driver behind Arista's raised 2026 revenue outlook of 25% growth, with management targeting $3.25 billion in AI specific revenue for that year. Key customer revenue shows much higher volatility than total sales, highlighting Arista's exposure to large customer spending cycles. The spike in 2022 and rebound in 2025 suggest that major cloud and AI related deployments can materially accelerate growth, but also create timing risk when customer capex slows.



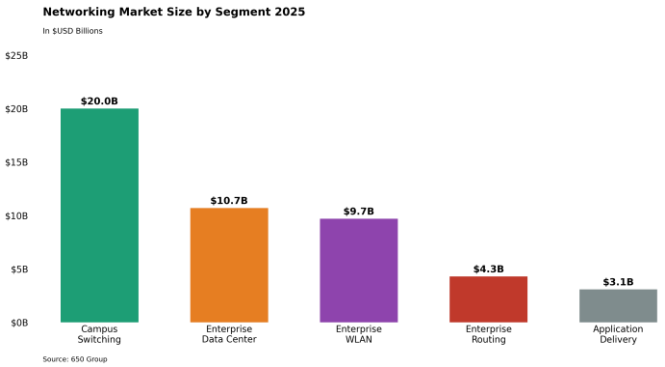
Management has also stated that Arista expects to add one more 10%+ customer in 2026, with the possibility of adding a second, which should help diversify revenue across a broader set of hyperscale customers.



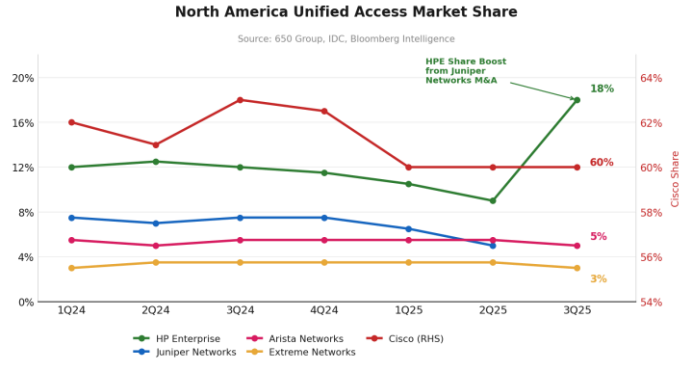
As you can see form the graph above, Arista's 2024 Meta revenue declined sharply. This reflected Meta's 2023 capital expenditures, a year in which Meta reduced its capex by 15% as part of its companywide efficiency initiative, creating a lag effect in Arista's shipments the following year.

The second category is Enterprise customers. It includes financial services firms, healthcare organizations, government agencies, media and entertainment companies, and a broad cross section of Fortune 500 corporations. This segment represented approximately 32% of revenue in fiscal year 2025, making it the second largest customer group. Enterprise customers tend to buy at lower volumes than Cloud Titans but in greater numbers, providing diversification that offsets the lumpiness of hyperscaler orders. Arista's primary entry point within enterprise has been high speed data center switching, where it has displaced legacy vendors by offering superior performance and a single unified

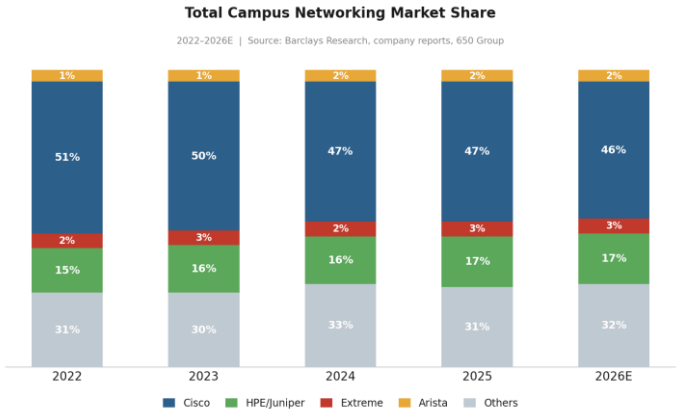
operating system in EOS. This stands in contrast to Cisco, whose campus and data center products run on entirely different operating systems, IOS and NX-OS respectively, creating operational complexity that Arista actively exploits in its sales pitch. Building on that data center foothold, Arista deepens its presence within existing accounts by offering the same EOS platform across campus switches, WiFi access points, and routing, reducing the operational burden for IT teams who would otherwise manage multiple vendors and operating systems across their network. The company now counts more than 10,000 cumulative customers, with continued growth in million-dollar accounts reflecting deepening enterprise penetration.



However, campus networking remains a significant challenge. The campus switching market is the largest enterprise networking segment at $20 billion in 2025, yet Arista holds only approximately 2% of global campus switching market share and 3% of the North America unified access market, which combines wired and wireless together, compared to Cisco's dominant 47% and 60% positions respectively.



HPE, boosted by its acquisition of Juniper Networks, has also emerged as a formidable second player at roughly 17% campus share, making this a three way competitive battle rather than a purely bilateral one.



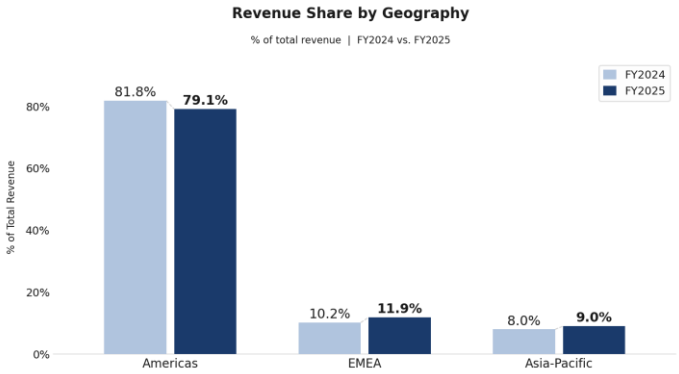
The June 2025 acquisition of VeloCloud from Broadcom for $300 million addresses this by completing Arista's enterprise portfolio with SD-WAN capability, enabling it to manage WAN connectivity across all of a customer's geographically dispersed locations from one centralized platform. For the first time, Arista can offer enterprise customers a fully integrated network solution spanning the data center, the campus, and the wide area network, positioning it as a genuine alternative to Cisco across the entire enterprise network stack.

The third segment is AI and Specialty Providers, representing 20% of total revenue in fiscal year 2025, encompassing customers that sit between the major hyperscalers and traditional enterprise buyers. Named members of this group include Apple and Oracle alongside emerging neoclouds. Oracle is a notable example of the dynamic nature of this categorization, having been classified as a Cloud and AI Titan in 2024 before moving into this segment in 2025 as its strategy shifted toward AI infrastructure rather than traditional hyperscale cloud. This segment also includes Tier 2 cloud providers pivoting toward AI workloads and a growing roster of neoclouds, though Arista is more selective with certain neoclouds whose financial staying power is less certain.

Revenue by Geography

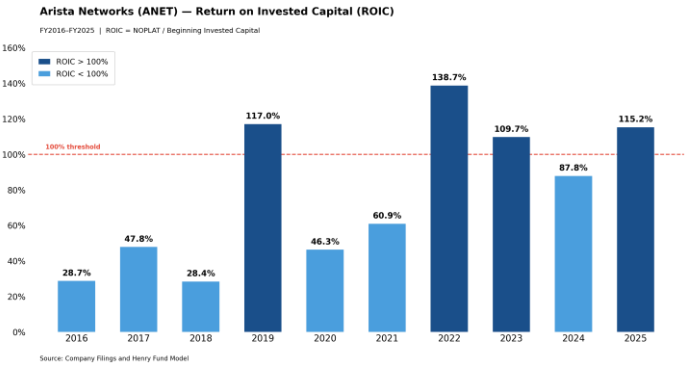
Arista generates the large majority of its revenue in the Americas, which accounted for 79.1% of total revenue in fiscal year 2025, or $7.1 billion, growing 24.3% year over year. However, the more notable trend is the accelerating international expansion. EMEA grew 50.1% year over year to $1.07 billion, increasing its share of total revenue from 10.2% in 2024 to 11.9% in 2025. Asia Pacific similarly expanded from 8.0% to 9.0% of revenue, reaching $813 million. As a result, total international revenue as a share

of total revenue increased from 18.2% in 2024 to 20.9% in 2025.

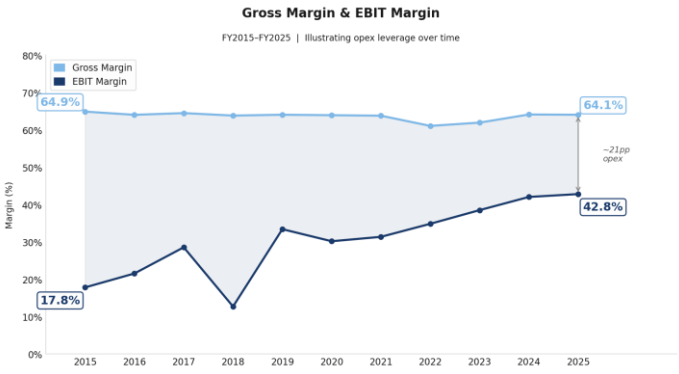


Return on Invested Capital (ROIC)

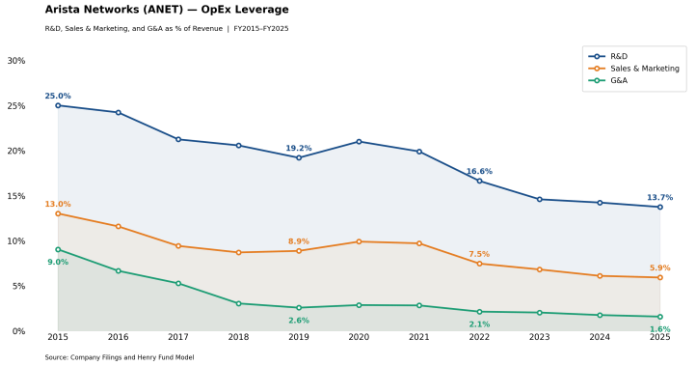
Arista has generated ROIC above 100% in four of the last seven years, reaching a peak of 138.7% in 2022 and most recently 115.2% in 2025.



This performance is driven by two compounding factors. First, NOPAT margin expanded significantly from 19.8% in 2016 to 39.1% in 2025, reflecting the operating leverage as fixed costs were spread across a rapidly scaling revenue base.



Second, invested capital turnover has remained consistently above 2x throughout the period, reaching a high of 4.36x in 2022, reflecting Arista's asset light model which requires minimal capital to support each dollar of revenue. The temporary dip to 87.8% in 2024 was driven by a 63.6% surge in invested capital as Arista built inventory and supply chain commitments ahead of the AI spending cycle, while NOPAT margin remained healthy at 41.8%. The rapid recovery to 115.2% in 2025 as invested capital contracted 49.8% confirms the cyclical rather than structural nature of that decline.



Gross margin has remained remarkably stable between 63% and 65% over the past decade, while EBIT margin expanded from 17.8% in 2015 to 42.8% in 2025, a gain of approximately 25 percentage points driven entirely by operating leverage. R&D as a percentage of revenue declined from 25% to 13.7%, sales and marketing from 13% to 5.9%, and G&A from 9% to 1.6% over the same period, as fixed operating costs were spread across a rapidly growing revenue base.

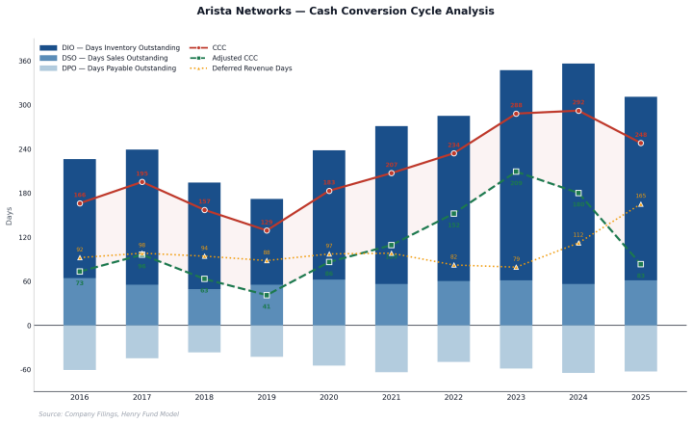
Invested Capital Analysis

As shown on the ROIC analysis, Arista operates an asset light business model, a defining characteristic that distinguishes it from traditional hardware manufacturers. Rather than owning factories or manufacturing facilities, Arista outsources virtually all of its production to third party contract manufacturers who procure components and assemble products on their behalf. This allows the company to generate substantial revenue without committing significant capital to physical infrastructure.

Working Capital

Two working capital trends stand out. Deferred revenue surged from $637 million in 2022 to $4.0 billion in 2025, reflecting the growing volume of product shipments subject to customer acceptance clauses, particularly with large hyperscaler customers deploying complex AI

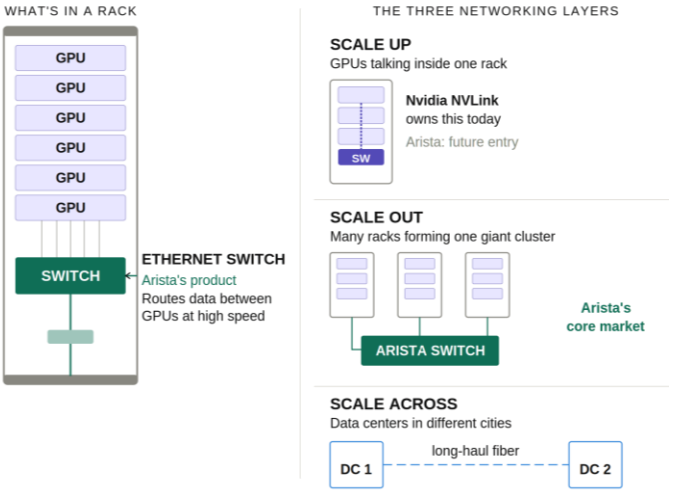
infrastructure. This growth provides strong forward visibility into future revenue recognition. On the other hand, inventories climbed from $1.29 billion to $2.25 billion over the same period, reflecting Arista's deliberate strategy of securing components ahead of anticipated demand given ongoing supply chain constraints in memory and silicon.



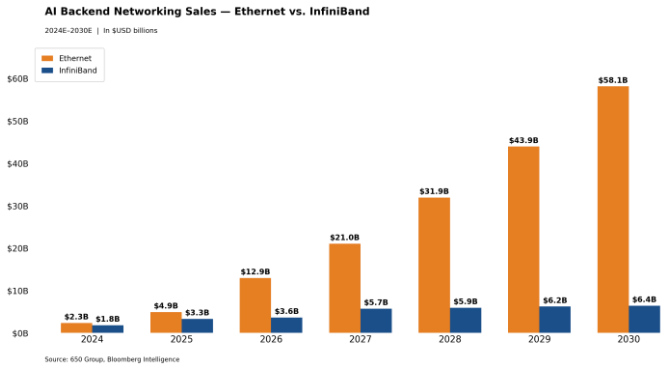
MARKETS AND COMPETITION

Back-end AI Networking Architecture: Scale Out, Scale Up, and Scale Across

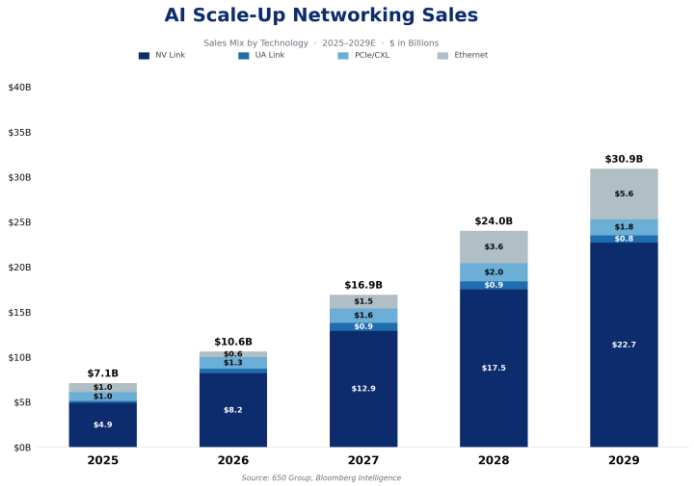
AI Networking architecture is divided into front-end and back-end. Under back-end, there are three structures: Scale Up, Scale Out, and Scale Across.



Scale Out connects XPU accelerator racks across a single data center facility, supporting clusters of up to approximately 100,000 XPUs. This is Arista's current core AI revenue source, where Ethernet has successfully displaced InfiniBand and where the company holds meaningful market share. Early AI clusters relied heavily on InfiniBand, Nvidia's proprietary high-performance networking technology, because Ethernet at the time lacked the reliability and congestion control needed for lossless AI workloads. That dynamic has fundamentally shifted. The development of the Ultra Ethernet Consortium (UEC) v1.0 specification, co-led by Arista, addressed Ethernet's key shortcomings by adding enhanced congestion control, improved load balancing, and reliable lossless transport.



Scale Up connects XPUs within a single rack or node, currently dominated by Nvidia's proprietary NVLink technology. Arista views this as a future incremental opportunity as open standards such as ESUN mature, with meaningful revenue unlikely before 2027. As hyperscalers increasingly deploy their own custom ASICs such as Google TPUs, Microsoft Maia, and Meta MTIA, demand for open standard interconnects like Ethernet grows since these chips are not bound to Nvidia's proprietary NVLink ecosystem, expanding the addressable market for Arista's switching platforms.

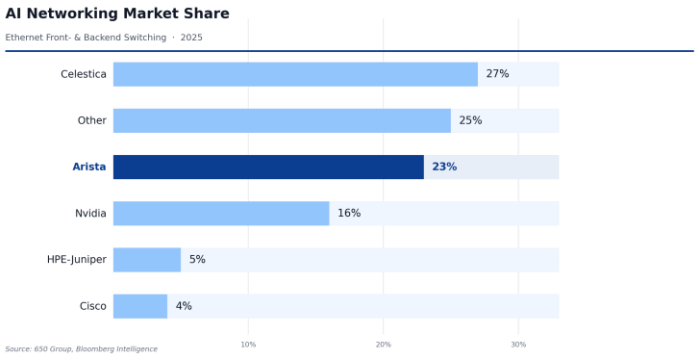


Scale Across connects distributed AI clusters across multiple buildings and geographic locations, spanning

distances of 120 to over 1,000 kilometers using high speed optical routing. This domain addresses the growing trend of model builders deploying infrastructure across multiple sites rather than concentrating in a single facility. Arista's current $3.25 billion AI revenue guidance covers Scale Out and associated frontend networking only. Scale Up and Scale Across represent longer term TAM expansion opportunities beyond 2026.

Branded vs. White Box: Understanding Celestica's Market Share

One of the most counterintuitive data points in AI networking competitive analysis is that Celestica, a Canadian contract manufacturer, holds approximately 27% of AI backend networking revenue share, making it the largest single player by that measure ahead of both Arista (~23%) and Nvidia (~16%).



Celestica is not a networking company; it is a contract manufacturer (ODM, or Original Design Manufacturer). Celestica does not design networking software, does not have a network operating system, and does not have an enterprise sales force. What it does is manufacture bare hardware boxes to hyperscaler specifications, using the same commodity ASICs (such as Broadcom's Tomahawk) that Arista uses in its own switches. The hyperscaler then loads its own internally developed network operating system on top. The result is a switch that is significantly cheaper than an Arista product, but one that requires the buyer to build and maintain their own networking software stack, something only organizations with massive engineering teams can do cost-effectively.

Arista management has explicitly stated that Celestica is not a direct competitor. White box vendors are not playing in the same use cases/rack locations as Arista, despite serving some of the same hyperscaler customers. The two products serve different needs within the same data center: a hyperscaler like Google may use Arista branded switches for network layers requiring sophisticated telemetry, automation, and reliability guarantees, while simultaneously deploying white box hardware for simpler, more standardized portions of the network where their internal engineering team can manage the software layer.

The competitive moat that protects Arista from white box displacement is its software. EOS, Arista's Extensible Operating System, provides telemetry, automation, and network intelligence capabilities that open-source alternatives cannot match. As AI networking deployments become more complex, requiring precise congestion control, lossless transport, and sophisticated traffic engineering, the value of a battle-tested proprietary OS increases rather than decreases.

2025 Q4 ANET Earnings Call

Full year 2026 revenue guidance raise to $11.25 billion (25% growth) was a 5-percentage point increase from the prior analyst day forecast. The primary driver was an 18% increase in the AI networking revenue target, raised from $2.75 billion to $3.25 billion. Third, the gross margin guidance of 62%–64% for the full year was reiterated despite rising DDR4 memory costs, with management citing proactive purchase commitments as a mitigating factor. Finally, the operating margin guidance raise to approximately 46%, up 2 percentage points from the prior analyst day target reflects the operating leverage embedded in the higher revenue base, partially offset by continued investment in R&D and sales infrastructure.

INDUSTRY TRENDS

The Shift from Traditional Cloud Networking to AI Networking

Traditional cloud networking was designed to move data between servers efficiently, handling web traffic, user requests, and database queries across distributed architectures. Arista built its original business serving this market, winning share at hyperscalers like Microsoft and Meta by delivering faster, more programmable switches than incumbent vendors such as Cisco.

AI networking is a fundamentally different and more demanding category. When training a large AI model across thousands of GPUs, every GPU must simultaneously exchange massive volumes of data with every other GPU in perfect synchronization. A single dropped or delayed

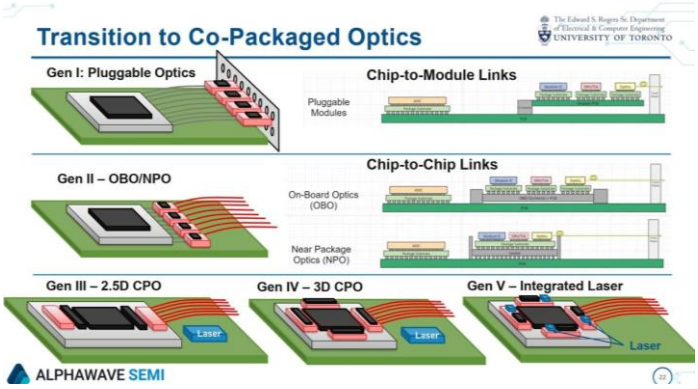
packet slows the entire training job. This all-to-all communication pattern at extreme scale requires a network that is not merely fast, but lossless, ultra-low latency, and capable of sustaining near-perfect throughput across clusters of 10,000 to 1,000,000 GPU nodes, demands that did not meaningfully exist before 2023. Arista had essentially zero AI-specific revenue three years prior. Arista's existing hyperscaler relationships proved to be a structural advantage as AI spending accelerated. The same customers, Microsoft, Meta, and others, that had trusted Arista for traditional cloud networking became the first major buyers of AI networking infrastructure, giving Arista a head start that competitors without those relationships could not easily replicate.

Port Speed Upgrades Drive a Structural Revenue Tailwind

Beyond volume growth in AI networking, a powerful pricing tailwind is emerging from the industry's transition to higher speed port standards. The shift from 800 gigabit to 1.6 terabit switching meaningfully increases average revenue per port, meaning Arista benefits not only from deploying more switches to support larger GPU clusters but also from selling each switch at a substantially higher price point as customers upgrade to the latest generation of hardware

Co-Packaged Optics: The Next Networking Inflection Point

As AI cluster speeds move from 800G toward 1.6T and beyond, power consumption has emerged as the binding constraint in data center design. The bottleneck lies in the electrical connection between the switch ASIC and the optical transceiver that converts signals to light for fiber cables. In the traditional design, the transceiver sits at the edge of the switch chassis as a pluggable module, requiring the electrical signal to travel several centimeters from the chip, a distance that generates heat and wastes energy at high speeds.



Co-packaged optics (CPO) addresses this by integrating the optical engine directly onto the same package as the switch ASIC, reducing the signal path from centimeters to millimeters and cutting power consumption per port by an estimated 30 to 50%. Arista is well positioned for this transition through its partnership with Broadcom, which has been integrating CPO capability into its Tomahawk ASIC designs. Because CPO embeds the optics into the switch at the factory rather than as a separately sourced pluggable module, it would represent a meaningful increase in revenue per switch unit for Arista. However, hyperscalers currently source transceivers directly from manufacturers, and some may resist ceding that purchasing relationship. CPO is primarily a 2027 and beyond opportunity and does not materially affect the 2026 investment thesis, but it represents a structural tailwind for Arista's long term revenue per unit trajectory.

Marvell's XPU Wins as an Arista Catalyst

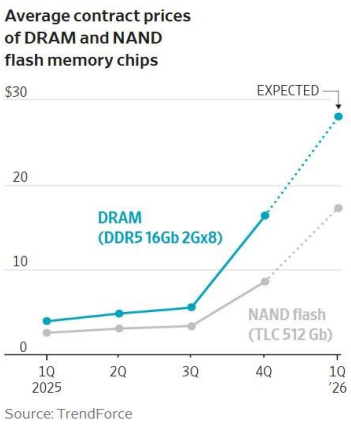
Marvell's growing custom accelerator chip business represents a meaningful indirect catalyst for Arista's AI networking revenue. Unlike Nvidia's NVLink-based deployments, hyperscaler custom chip clusters built on Marvell silicon use Ethernet switching — directing networking dollars toward Arista rather than Nvidia's proprietary stack. Marvell disclosed in early 2026 that it is preparing a Tier-1 XPU program for high-volume production in fiscal 2028, widely understood to refer to Microsoft's Maia 300 chip, which would drive adoption of Ethernet switching in backend AI networks. Given that Microsoft represented 26% of Arista's 2025 revenue, this program represents a direct and meaningful 2027 growth catalyst. Marvell also maintains broad custom silicon relationships with other hyperscalers, including AWS, whose Ethernet-based deployments further benefit Arista's networking business. The broader shift by hyperscalers toward custom accelerators designed around

open Ethernet standards — rather than Nvidia's proprietary vertical stack — structurally favors Arista over the medium term

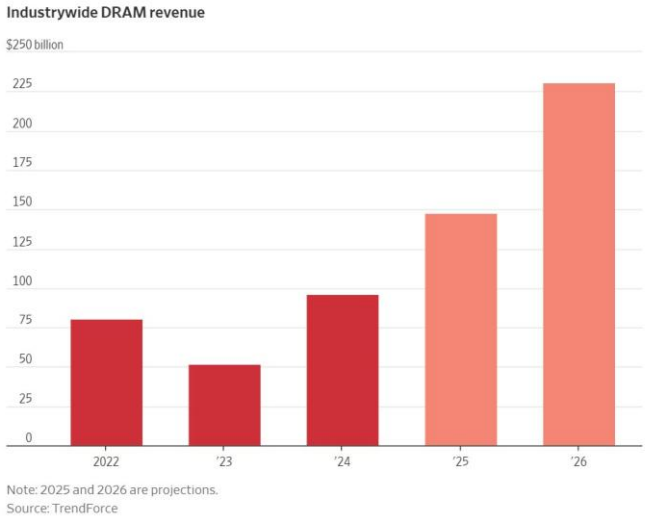
RISKS

Supply Chain and Component Cost Risk: DDR4 Memory Shortage

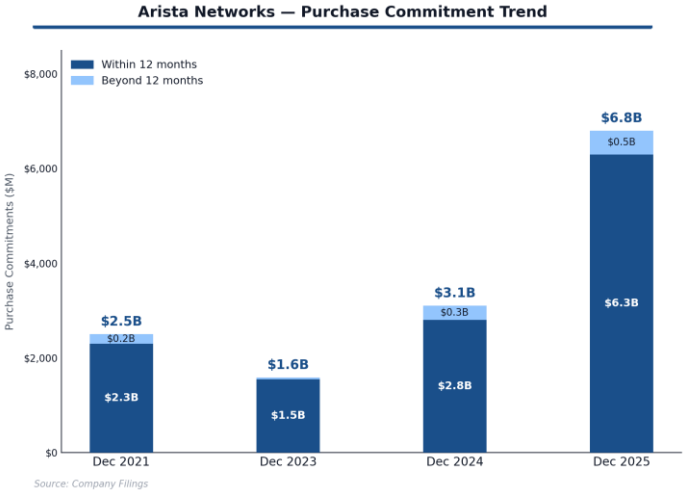
One of the most pressing near-term risks to Arista's gross margin outlook is the ongoing global DRAM memory shortage, particularly the supply squeeze on DDR4, the memory standard used inside Arista's current switch product lines. The shortage stems from a structural shift in semiconductor manufacturing: memory producers such as Samsung and SK Hynix have aggressively reallocated wafer capacity toward high-bandwidth memory (HBM), which is required inside Nvidia's AI accelerators and commands significantly higher margins. According to TrendForce, DDR4 contract prices rose 38–43% year-to-date through Q4 2025, with further increases of 30–40% projected into 2026. Industry analysts expect the supply-demand imbalance to persist through at least the first half of 2026.



DDR4, DDR5, and HBM are members of the same DRAM family; they all store data temporarily for active processing but optimized for different use cases and manufactured using the same factory infrastructure. DDR4 and DDR5 are mainstream general-purpose memory used in switches, servers, and computers. HBM is a specialized ultra-high-performance variant that physically stacks multiple DRAM layers directly onto a GPU chip, enabling data transfer speeds roughly 10 to 15 times faster than DDR5, which is essential for AI model training.



Arista is nevertheless less exposed than server manufacturers. A server running AI workloads might hold 1 to 2 terabytes of total system memory, while an Arista switch typically uses 32 to 64 gigabytes of DDR4. This structural difference explains why Arista has been able to hold its 62–64% gross margin guidance while server vendors face more severe pressure from the same shortage. Arista's response has been proactive: purchase commitments jumped from $4.8 billion at the end of Q3 2025 to $6.8 billion at the end of Q4 2025, as management locked in supply early to hedge against further price increases and extended lead times. While this demonstrates operational discipline, it also reflects the severity of the constraint and introduces working capital risk if demand were to soften unexpectedly.



While earlier industry estimates projected relief by H1 2026, the Wall Street Journal reported in late 2025 that supply is now expected to remain tight through 2028, driven by unprecedented AI infrastructure demand. The proximate cause is OpenAI's Stargate infrastructure project: in October 2025, OpenAI signed letters of intent with Samsung and SK Hynix to bring them on as memory chip and data-center partners, with demand reportedly reaching up to 900,000 DRAM wafers per month.

Silicon Fabrication Concentration Risk: TSMC Dependency

Alongside the DRAM shortage, the concentration of advanced semiconductor fabrication in a single company. Arista does not manufacture its own chips. Its switches are built around ASICs designed by Broadcom (Tomahawk series) and Marvell, which are in turn fabricated almost exclusively by Taiwan Semiconductor Manufacturing Company (TSMC), the world's dominant pure-play foundry with over 90% share of the most advanced process nodes. This creates a structural single point of failure in Arista's supply chain that is largely outside management's control.

TSMC has been raising wafer prices as AI chip demand from Nvidia, Apple, AMD, and others floods its advanced node capacity. These increases flow directly through Broadcom and Marvell to Arista's cost of goods sold. Ullal was notably candid on the earnings call, stating that in 2025 Arista absorbed these silicon cost increases internally, but that in 2026 "the situation has worsened significantly" with prices that are "an order of magnitude exponentially higher." As a result, management announced a one-time price increase on selected memory-intensive product SKUs — the first such action taken by Arista while peers in the server market had already implemented multiple rounds of price hikes.

Beyond cost escalation, TSMC concentration introduces geopolitical risk. Taiwan sits in one of the world's most geographically sensitive regions given ongoing cross-strait tensions with China. A disruption to TSMC operations, whether from conflict, natural disaster, or regulatory action, would simultaneously affect every networking company that relies on Broadcom or Marvell silicon, with no near-term alternative source of supply. The US CHIPS Act is funding domestic semiconductor capacity, but meaningful production at advanced nodes from new US-based fabs is not expected until the late 2020s at the earliest.

There is, however, a competitive dimension to this risk that favors Arista. Ullal concluded her commentary by noting that the supply environment "is going to favor those who planned and those who can spend the money for it." With nearly $10.74 billion in cash and marketable securities and $6.8 billion in purchase commitments already locked in, Arista is structurally better positioned than smaller networking competitors to secure allocation at any price. In this sense, the TSMC and memory supply constraints, while a genuine cost headwind, may simultaneously function as a competitive moat, raising the barrier to entry for rivals who cannot afford to pre-commit at scale.

VALUATION

Revenue Assumptions

We forecast total revenue to grow from $9.0 billion in 2025 to $46.5 billion by 2035, driven primarily by continued adoption of Ethernet based AI networking across cloud and AI customers. Our model assumes Arista AI networking revenue increases from $1.75 billion in 2025 to $29.3 billion by 2035, supported by rapid growth in the cloud AI Ethernet switching market and a relatively stable long term market share of 18% to 20%. Within AI networking, we assume back end networking remains the larger opportunity, representing 58% of Arista AI networking revenue, while front end networking represents 42%.

Outside of AI, we assume continued growth across enterprise, campus, data center, and Tier 2 cloud/service provider markets. Campus networking grows from $800 million in 2025 to $4.5 billion by 2035 as Arista continues to take share in an underpenetrated market, while enterprise data center networking grows more modestly at a low single digit rate after 2026. Tier 2 cloud/service provider revenue is modeled to grow at a steady 10% rate over the forecast period. Overall, revenue growth decelerates from 28.3% in 2026 to 8.9% by 2035 as the business scales and AI networking growth normalizes

Cost & Capital Structure Assumptions

We assume relatively stable gross margins over the forecast period, with modest operating margin expansion driven primarily by operating leverage rather than mix. R&D and sales and marketing expenses grow in absolute terms but decline as a percentage of revenue as the business scales, reflecting efficiency gains in go to market and engineering. On the capital side, we assume a highly capital efficient model, with limited reliance on fixed assets and reinvestment driven mainly by working capital, particularly inventory and receivables. As a result, invested capital grows more slowly than revenue, supporting strong free cash flow conversion and sustained high returns on invested capital over time.

Discounted Cash Flow (DCF)

For the valuation, we use a discounted cash flow framework based on forecasted free cash flow generation and a continuing value derived from long term NOPLAT growth. Free cash flow is projected to grow from $2.8 billion in 2026 to $19.6 billion by 2035, driven by revenue growth, sustained high operating margins, and incremental operating leverage as the business scales. We apply a 3.5% terminal growth rate to NOPLAT and assume a very high terminal ROIC of 139%, reflecting Arista's asset light model and strong software driven economics. This results in a continuing value of $366 billion, which represents the majority of total enterprise value, consistent with a high growth company. Discounting projected cash flows at our WACC yields a value of operating assets of approximately $218 billion, and after adjusting for excess cash and equity based compensation, we arrive at an implied equity value of $228 billion, or $183 per share.

Weighted Average Cost of Capital (WACC)

The weighted average cost of capital is estimated at 11.67%, driven entirely by the cost of equity given the company has no meaningful debt. The cost of equity is calculated using CAPM, with a 4.28% risk free rate based on the 10 year Treasury, a beta of 1.67 reflecting the stock's higher volatility relative to the market, and an equity risk premium of 4.43%. Given the long duration of cash flows, we also assume a lower terminal WACC of 9% to reflect a more mature risk profile over time.

Relative Valuation

For relative valuation, we benchmark Arista against a peer group of networking and semiconductor infrastructure companies including Cisco, HPE, Marvell, and Broadcom. On a forward basis, peers trade at an average P/E of 21.3x for 2026 and 16.0x for 2027, with PEG ratios of 1.18x and 0.97x, respectively. In contrast, Arista trades at a significant premium of 46.9x 2026 P/E and 37.2x 2027 P/E, alongside higher PEG multiples of 1.8x and 1.4x, despite an estimated 5 year EPS growth rate of 26.8%. This premium reflects Arista's superior growth profile and direct exposure to AI driven networking demand, but also suggests that a meaningful portion of this growth is already priced into the stock.

Applying peer average multiples to Arista's earnings implies a valuation range of approximately $76 to $80 per share on a P/E basis and $119 to $124 per share on a PEG basis, both materially below the current trading price of $177. While the PEG based valuation partially closes the gap by incorporating growth, the stock still appears fully valued relative to peers. Overall, the relative valuation suggests limited upside from multiple expansion and highlights dependence on continued outperformance in AI networking to justify the current premium

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Arista Networks, Inc
Revenue Decomposition

Fiscal Years Ending Dec. 31	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Reported revenue breakdown:														
Product	3,716	5,029	5,884	7,577	9,724	12,362	15,548	18,974	22,584	26,067	30,006	34,285	35,903	39,108
% of Sales	*84.8%*	*85.8%*	*84.0%*	*84.1%*	*84.1%*	*84.1%*	*84.1%*	*84.1%*	*84.1%*	*84.1%*	*84.1%*	*84.1%*	*84.1%*	*84.1%*
YoY change	*56.3%*	*35.3%*	*17.0%*	*28.8%*	*28.3%*	*27.1%*	*25.8%*	*22.0%*	*19.0%*	*15.4%*	*15.1%*	*14.3%*	*4.7%*	*8.9%*
Service	665	831	1,119	1,429	1,834	2,331	2,932	3,578	4,259	4,916	5,658	6,465	6,770	7,375
% of Sales	*15.2%*	*14.2%*	*16.0%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*
YoY change	*16.6%*	*24.9%*	*34.7%*	*27.7%*	*28.3%*	*27.1%*	*25.8%*	*22.0%*	*19.0%*	*15.4%*	*15.1%*	*14.3%*	*4.7%*	*8.9%*
Total Sales	**4,381**	**5,860**	**7,003**	**9,006**	**11,558**	**14,694**	**18,480**	**22,552**	**26,843**	**30,983**	**35,665**	**40,750**	**42,673**	**46,482**
YoY change	*48.6%*	*33.8%*	*19.5%*	*28.6%*	*28.3%*	*27.1%*	*25.8%*	*22.0%*	*19.0%*	*15.4%*	*15.1%*	*14.3%*	*4.7%*	*8.9%*
10% + Customers														
Meta Platforms	**1,139**	**1,231**	**1,050**	**1,441**	**2,898**	**3,181**	**3,237**	**3,844**	**3,817**	**3,690**	**3,764**	**3,839**	**3,916**	**3,994**
% of Sales management reported	26.0%	21.0%	15.0%	16.0%	25.1%	21.6%	17.5%	17.0%	14.2%	11.9%	10.6%	9.4%	9.2%	8.6%
Meta's CapEx	32,036	28,103	39,225	69,691	122,113	134,046	136,439	162,002	160,877	155,518	158,628	161,801	165,037	168,338
Meta's CapEx Growth	66.5%	-12.3%	39.6%	77.7%	75.2%	9.8%	1.8%	18.7%	-0.7%	-3.3%	2.0%	2.0%	2.0%	2.0%
Arista Meta's Sales as % of CapEx	3.6%	4.4%	2.7%	2.1%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Microsoft	**701**	**1,055**	**1,401**	**2,341**	**3,448**	**3,609**	**3,898**	**4,209**	**4,546**	**4,910**	**5,412**	**5,845**	**6,313**	**6,818**
% of Sales management reported	16.0%	18.0%	20.0%	26.0%	29.83%	24.56%	21.09%	18.67%	16.94%	15.85%	15.18%	14.34%	14.79%	14.67%
Microsoft's CapEx	28,400	41,200	72,160	119,147	159,947	167,429	180,823	195,289	210,912	227,785	246,008	265,689	286,944	309,899
Microsoft's CapEx Growth	4.1%	45.1%	75.1%	65.1%	34.2%	4.7%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Arista Microsoft's Sales as % of CapEx	2.5%	2.6%	1.9%	2.0%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Total Revenue from 10% + Customers	**1,840**	**2,285**	**2,451**	**3,782**	**6,345**	**6,790**	**7,135**	**8,053**	**8,364**	**8,600**	**9,176**	**9,684**	**10,229**	**10,812**
Share of revenue	42.0%	39.0%	35.0%	42.0%	54.9%	46.2%	38.6%	35.7%	31.2%	27.8%	25.7%	23.8%	24.0%	23.3%
Growth Y/Y	160.1%	24.2%	7.2%	54.3%	67.8%	7.0%	5.1%	12.9%	3.9%	2.8%	6.7%	5.5%	5.6%	5.7%

Product Breakdown														
Campus Networks	326	498	625	800	1,250	1,688	2,109	2,363	2,599	2,859	3,287	3,781	4,083	4,450
YoY change	62.2%	52.8%	25.5%	28.0%	56.3%	35.0%	25.0%	12.0%	10.0%	10.0%	15.0%	15.0%	8.0%	9.0%
Data Center Networks	1,077	1,612	1,826	2,100	2,205	2,315	2,431	2,504	2,579	2,656	2,736	2,818	2,903	2,990
YoY change	10.1%	49.7%	13.3%	15.0%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Enterprise	**1,403**	**2,110**	**2,451**	**2,900**	**3,455**	**4,003**	**4,540**	**4,866**	**5,178**	**5,515**	**6,024**	**6,599**	**6,986**	**7,440**
Core Data Center	1,866	2,151	2,239	2,441	2,563	2,666	2,772	2,883	3,027	3,179	3,306	3,438	3,575	3,718
YoY change	134.7%	15.3%	4.1%	9.0%	5.0%	4.0%	4.0%	4.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
AI Front-end	119	257	552	800	1,440	2,272	3,438	4,789	6,257	7,633	9,160	10,809	11,187	12,306
YoY change	32.2%	116.0%	114.8%	44.9%	80.0%	57.8%	51.3%	39.3%	30.6%	22.0%	20.0%	18.0%	3.5%	10.0%
Share of Arista AI Networking				45.7%	44.3%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%
AI Back-end	32	112	290	950	1,805	3,137	4,747	6,614	8,641	10,541	12,650	14,927	15,449	16,994
YoY change		250.0%	158.9%	227.6%	90.0%	73.8%	51.3%	39.3%	30.6%	22.0%	20.0%	18.0%	3.5%	10.0%
Share of Arista AI Networking				54.3%	55.5%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%
Cloud Provider	**2,017**	**2,520**	**3,081**	**4,191**	**5,808**	**8,075**	**10,957**	**14,286**	**17,925**	**21,353**	**25,116**	**29,174**	**30,212**	**33,018**
YoY change	127.9%	24.9%	22.3%	36.0%	38.6%	39.0%	35.7%	30.4%	25.5%	19.1%	17.6%	16.2%	3.6%	9.3%
Tier 2 Cloud/Service Provider	**965**	**1,231**	**1,471**	**1,915**	**2,295**	**2,616**	**2,983**	**3,400**	**3,740**	**4,114**	**4,526**	**4,978**	**5,476**	**6,024**
YoY change	9.2%	27.6%	19.5%	30.2%	19.8%	14.0%	14.0%	14.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Sales	**4,385**	**5,861**	**7,003**	**9,006**	**11,558**	**14,694**	**18,480**	**22,552**	**26,843**	**30,983**	**35,665**	**40,750**	**42,673**	**46,482**
YoY change	48.7%	33.7%	19.5%	28.6%	28.3%	27.1%	25.8%	22.0%	19.0%	15.4%	15.1%	14.3%	4.7%	8.9%

Arista Networks, Inc
Income Statement
In millions

Fiscal Years Ending Dec. 31	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Product	3,716	5,029	5,884	7,577	9,724	12,362	15,548	18,974	22,584	26,067	30,006	34,285	35,903	39,108
Service	665	831	1,119	1,429	1,834	2,331	2,932	3,578	4,259	4,916	5,658	6,465	6,770	7,375
Total revenue	**4,381**	**5,860**	**7,003**	**9,006**	**11,558**	**14,694**	**18,480**	**22,552**	**26,843**	**30,983**	**35,665**	**40,750**	**42,673**	**46,482**
Product	(1,574)	(2,061)	(2,299)	(2,979)	(3,695)	(4,698)	(5,908)	(7,210)	(8,582)	(9,905)	(11,402)	(13,028)	(13,643)	(14,861)
Service	(132)	(169)	(213)	(258)	(348)	(443)	(557)	(680)	(809)	(934)	(1,075)	(1,228)	(1,286)	(1,401)
Total cost of revenue	**(1,706)**	**(2,230)**	**(2,512)**	**(3,237)**	**(4,044)**	**(5,141)**	**(6,465)**	**(7,890)**	**(9,391)**	**(10,839)**	**(12,477)**	**(14,257)**	**(14,930)**	**(16,262)**
Gross profit	**2,676**	**3,630**	**4,491**	**5,769**	**7,514**	**9,553**	**12,015**	**14,662**	**17,452**	**20,143**	**23,187**	**26,494**	**27,744**	**30,220**
Research and development	(728)	(855)	(997)	(1,237)	(1,387)	(1,763)	(2,218)	(2,706)	(2,953)	(3,098)	(3,566)	(4,075)	(4,267)	(4,648)
Sales and marketing	(327)	(399)	(427)	(533)	(636)	(808)	(924)	(1,015)	(1,208)	(1,084)	(1,248)	(1,223)	(1,280)	(1,394)
General and administrative	(93)	(119)	(123)	(142)	(162)	(206)	(259)	(271)	(358)	(406)	(457)	(533)	(555)	(603)
Legal settlement	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total operating expenses	**(1,149)**	**(1,373)**	**(1,547)**	**(1,913)**	**(2,184)**	**(2,777)**	**(3,400)**	**(3,992)**	**(4,519)**	**(4,589)**	**(5,272)**	**(5,831)**	**(6,102)**	**(6,645)**
Income from operations (EBIT)	**1,527**	**2,257**	**2,945**	**3,856**	**5,330**	**6,776**	**8,614**	**10,670**	**12,933**	**15,554**	**17,915**	**20,663**	**21,641**	**23,575**
Other income, net	55	165	320	394	410	428	446	465	485	506	528	550	574	598
Income before taxes (EBT)	**1,582**	**2,422**	**3,265**	**4,250**	**5,740**	**7,204**	**9,061**	**11,136**	**13,418**	**16,060**	**18,443**	**21,213**	**22,215**	**24,173**
Income taxes	(229)	(335)	(413)	(738)	(1,033)	(1,297)	(1,631)	(2,004)	(2,415)	(2,891)	(3,320)	(3,818)	(3,999)	(4,351)
Net income	**1,352**	**2,087**	**2,852**	**3,511**	**4,707**	**5,907**	**7,430**	**9,131**	**11,003**	**13,169**	**15,123**	**17,395**	**18,216**	**19,822**

Margins:														
Gross margin	61.07%	61.95%	64.13%	64.06%	65.01%	65.01%	65.01%	65.01%	65.01%	65.01%	65.01%	65.01%	65.01%	65.01%
EBITDA margin	36.29%	39.72%	42.93%	43.62%	46.69%	46.96%	47.17%	47.72%	48.51%	50.49%	50.49%	50.95%	50.96%	50.95%
EBIT margin	34.86%	38.52%	42.05%	42.82%	46.11%	46.11%	46.61%	47.31%	48.18%	50.20%	50.23%	50.71%	50.71%	50.72%
EBT margin	36.10%	41.33%	46.62%	47.19%	49.67%	49.03%	49.03%	49.38%	49.99%	51.84%	51.71%	52.06%	52.06%	52.00%
Poduct revenue margin	57.65%	59.02%	60.93%	60.69%	62.00%	62.00%	62.00%	62.00%	62.00%	62.00%	62.00%	62.00%	62.00%	62.00%
Service revenue margin	80.16%	79.69%	80.99%	81.92%	81.00%	81.00%	81.00%	81.00%	81.00%	81.00%	81.00%	81.00%	81.00%	81.00%
Cost analysis														
Product COGS	42.35%	40.98%	39.07%	39.31%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%
Services COGS	19.84%	20.31%	19.01%	18.08%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
R&D as % of revenue	16.63%	14.59%	14.23%	13.74%	12.00%	12.00%	12.00%	12.00%	11.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Sales and marketing as % of revenue	7.46%	6.81%	6.10%	5.92%	5.50%	5.50%	5.00%	4.50%	4.50%	3.50%	3.50%	3.00%	3.00%	3.00%
G&A as % of revenue	2.13%	2.03%	1.75%	1.58%	1.40%	1.40%	1.40%	1.20%	1.33%	1.31%	1.28%	1.31%	1.30%	1.30%
Implied tax rate	14.50%	13.82%	12.65%	17.37%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%

Arista Networks, Inc
Common Size Income Statement

Fiscal Years Ending Dec. 31	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Product	85%	86%	84%	84%	84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
Service	15%	14%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
Total revenue	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Product	36%	35%	33%	33%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%
Service	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Total cost of revenue	**39%**	**38%**	**36%**	**36%**	**35%**	**35%**	**35%**	**35%**	**35%**	**35%**	**35%**	**35%**	**35%**	**35%**
Gross profit	**61%**	**62%**	**64%**	**64%**	**65%**	**65%**	**65%**	**65%**	**65%**	**65%**	**65%**	**65%**	**65%**	**65%**
Research and development	17%	15%	14%	14%	12%	12%	12%	12%	11%	10%	10%	10%	10%	10%
Sales and marketing	7%	7%	6%	6%	6%	6%	5%	5%	5%	4%	4%	3%	3%	3%
General and administrative	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Legal settlement	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total operating expenses	**26%**	**23%**	**22%**	**21%**	**19%**	**19%**	**18%**	**18%**	**17%**	**15%**	**15%**	**14%**	**14%**	**14%**
Income from operations (EBIT)	**35%**	**39%**	**42%**	**43%**	**46%**	**46%**	**47%**	**47%**	**48%**	**50%**	**50%**	**51%**	**51%**	**51%**
Other income, net	1%	3%	5%	4%	4%	3%	2%	2%	2%	2%	1%	1%	1%	1%
Income before taxes (EBT)	**36%**	**41%**	**47%**	**47%**	**50%**	**49%**	**49%**	**49%**	**50%**	**52%**	**52%**	**52%**	**52%**	**52%**
Income taxes	5%	6%	6%	8%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Net income	**31%**	**36%**	**41%**	**39%**	**41%**	**40%**	**40%**	**40%**	**41%**	**43%**	**42%**	**43%**	**43%**	**43%**

Arista Networks, Inc.
Balance Sheet
In millions

Fiscal Years Ending Dec. 31	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Current assets:															
Cash and cash equivalents	621	672	1,939	2,762	1,964	2,470	5,371	8,605	13,032	18,453	24,937	32,580	41,463	50,930	61,291
Marketable securities	2,788	2,352	3,069	5,541	8,779	9,154	9,546	9,954	10,380	10,824	11,286	11,769	12,272	12,797	13,344
Accounts receivable, net	517	923	1,025	1,140	1,887	2,108	2,717	3,553	4,207	5,044	5,853	6,697	7,669	8,036	8,743
Inventories	650	1,290	1,945	1,835	2,247	3,249	3,882	4,896	6,091	7,151	8,277	9,554	10,887	11,411	12,433
Prepaid expenses and other current assets	238	314	413	632	1,510	498	707	974	1,082	1,331	1,552	1,755	2,022	2,118	2,300
Total current assets	**4,813**	**5,551**	**8,390**	**11,911**	**16,387**	**17,480**	**22,223**	**27,983**	**34,792**	**42,803**	**51,906**	**62,356**	**74,314**	**85,292**	**98,112**
Property and equipment, net	79	95	102	99	203	380	315	282	271	274	285	301	322	334	347
Goodwill and acquisition-related intangible assets, net	282	388	357	331	416	416	416	416	416	416	416	416	416	416	416
Deferred tax assets	442	575	946	1,440	1,774	2,240	2,799	3,470	4,254	5,151	6,166	7,266	8,455	9,620	10,800
Other assets	119	167	152	263	669	697	727	758	791	825	860	897	935	975	1,017
Total assets	**5,734**	**6,775**	**9,947**	**14,044**	**19,449**	**21,214**	**26,480**	**32,909**	**40,524**	**49,470**	**59,633**	**71,236**	**84,441**	**96,637**	**110,691**
Current liabilities:															
Accounts payable	203	233	435	381	652	774	949	1,256	1,500	1,782	2,075	2,376	2,716	2,848	3,099
Accrued liabilities	227	292	407	435	475	711	864	1,066	1,338	1,573	1,814	2,098	2,390	2,504	2,730
Deferred revenue	594	637	915	1,727	4,003	2,080	2,498	2,957	3,496	4,026	4,492	4,993	5,501	5,548	5,810
Other current liabilities	87	131	152	189	247	309	397	500	608	725	837	963	1,101	1,152	1,255
Total current liabilities	**1,110**	**1,294**	**1,910**	**2,732**	**5,377**	**3,875**	**4,708**	**5,780**	**6,942**	**8,106**	**9,218**	**10,430**	**11,708**	**12,052**	**12,894**
Lease financing obligations, non-current	57	44	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred revenue, non-current	336	404	591	1,064	1,370	1,560	2,150	2,670	3,201	3,872	4,447	5,109	5,855	6,123	6,669
Other long-term liabilities	254	148	227	253	332	430	540	683	834	990	1,144	1,317	1,504	1,575	1,716
Total liabilities	**1,756**	**1,890**	**2,728**	**4,049**	**7,078**	**5,865**	**7,398**	**9,132**	**10,976**	**12,968**	**14,809**	**16,855**	**19,067**	**19,751**	**21,279**
Stockholders' equity:															
Additional paid-in capital	1,530	1,781	2,108	2,465	2,912	2,916	2,916	2,916	2,916	2,916	2,916	2,916	2,916	2,916	2,916
Retained earnings	2,457	3,139	5,114	7,542	9,447	12,421	16,154	20,850	26,620	33,574	41,896	51,454	62,446	73,958	86,485
Accumulated other comprehensive income (loss)	(8)	(34)	(3)	(13)	12	12	12	12	12	12	12	12	12	12	12
Total stockholders' equity	**3,979**	**4,886**	**7,219**	**9,995**	**12,370**	**15,349**	**19,082**	**23,777**	**29,548**	**36,501**	**44,824**	**54,381**	**65,374**	**76,886**	**89,412**
Total liabilities and stockholders' equity	**5,734**	**6,775**	**9,947**	**14,044**	**19,449**	**21,214**	**26,480**	**32,909**	**40,524**	**49,469**	**59,633**	**71,236**	**84,441**	**96,636**	**110,691**

Arista Networks, Inc
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Current assets:															
Cash and cash equivalents	21%	15%	33%	39%	22%	21%	37%	47%	58%	69%	80%	91%	102%	119%	132%
Marketable securities	95%	54%	52%	79%	97%	79%	65%	54%	46%	40%	36%	33%	30%	30%	29%
Accounts receivable, net	18%	21%	17%	16%	21%	18%	18%	19%	19%	19%	19%	19%	19%	19%	19%
Inventories	22%	29%	33%	26%	25%	28%	26%	26%	27%	27%	27%	27%	27%	27%	27%
Prepaid expenses and other current assets	8%	7%	7%	9%	17%	4%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Total current assets	**163%**	**127%**	**143%**	**170%**	**182%**	**151%**	**151%**	**151%**	**154%**	**159%**	**168%**	**175%**	**182%**	**200%**	**211%**
Property and equipment, net	3%	2%	2%	1%	2%	3%	2%	2%	1%	1%	1%	1%	1%	1%	1%
Goodwill and acquisition-related intangible assets, net	10%	9%	6%	5%	5%	4%	3%	2%	2%	2%	1%	1%	1%	1%	1%
Deferred tax assets	15%	13%	16%	21%	20%	19%	19%	19%	19%	19%	20%	20%	21%	23%	23%
Other assets	4%	4%	3%	4%	7%	6%	5%	4%	4%	3%	3%	3%	2%	2%	2%
Total assets	**195%**	**155%**	**170%**	**201%**	**216%**	**184%**	**180%**	**178%**	**180%**	**184%**	**192%**	**200%**	**207%**	**226%**	**238%**
Current liabilities:															
Accounts payable	7%	5%	7%	5%	7%	7%	6%	7%	7%	7%	7%	7%	7%	7%	7%
Accrued liabilities	8%	7%	7%	6%	5%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Deferred revenue	20%	15%	16%	25%	44%	18%	17%	16%	16%	15%	15%	14%	14%	13%	13%
Other current liabilities	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Total current liabilities	**38%**	**30%**	**33%**	**39%**	**60%**	**34%**	**32%**	**31%**	**31%**	**30%**	**30%**	**29%**	**29%**	**28%**	**28%**
Lease financing obligations, non-current	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Deferred revenue, non-current	11%	9%	10%	15%	15%	13%	15%	14%	14%	14%	14%	14%	14%	14%	14%
Other long-term liabilities	9%	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Total liabilities	**60%**	**43%**	**47%**	**58%**	**79%**	**51%**	**50%**	**49%**	**49%**	**48%**	**48%**	**47%**	**47%**	**46%**	**46%**
Stockholders' equity:															
Additional paid-in capital	52%	41%	36%	35%	32%	25%	20%	16%	13%	11%	9%	8%	7%	7%	6%
Retained earnings	83%	72%	87%	108%	105%	107%	110%	113%	118%	125%	135%	144%	153%	173%	186%
Accumulated other comprehensive income (loss)	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total stockholders' equity	**135%**	**112%**	**123%**	**143%**	**137%**	**133%**	**130%**	**129%**	**131%**	**136%**	**145%**	**152%**	**160%**	**180%**	**192%**
Total liabilities and stockholders' equity	**195%**	**155%**	**170%**	**201%**	**216%**	**184%**	**180%**	**178%**	**180%**	**184%**	**192%**	**200%**	**207%**	**226%**	**238%**

Arista Networks, Inc
Historical Cash Flow Statement
In millions

Fiscal Years Ending Dec. 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cash flows from operating activities:										
Net income:	184	423	328	860	635	841	1,352	2,087	2,852	3,511
Adjustments to reconcile net income to net cash provided by operating activities:										
Depreciation and amortization	20	21	28	33	45	50	63	71	62	73
Stock-based compensation	59	75	91	101	137	187	231	297	355	439
Gain on sale of marketable securities	0	0	0	0	(9)	0	0	0	0	0
Deferred income taxes	(22)	8	(58)	(76)	(9)	(99)	(244)	(371)	(493)	(312)
Noncash lease expense	0	0	0	16	17	17	19	18	0	0
Unrealized loss on investments in privately-held companies, net	0	0	14	(5)	(4)	0	(27)	(19)	0	0
Excess tax benefit on stock based-compensation	(43)	0	0	0	0	0	0	0	0	0
Other	1	1	(3)	(7)	10	27	13	(34)	(54)	(27)
Funds from operations (FFO)	**200**	**529**	**400**	**922**	**821**	**1,023**	**1,406**	**2,050**	**2,723**	**3,684**
Changes in operating assets and liabilities:										
Accounts receivable, net	(109)	6	(78)	(60)	11	(127)	(402)	(101)	(106)	(746)
Inventories	(144)	(70)	51	21	(235)	(170)	(639)	(655)	111	(413)
Other assets	(112)	(11)	18	46	19	(139)	(117)	(66)	(234)	(937)
Accounts payable	39	(30)	39	(2)	41	67	31	199	(52)	261
Accrued liabilities	31	44	(15)	16	3	84	67	0	0	0
Other liabilities	9	1	17	8	17	(5)	4	124	48	119
Deferred revenue	176	142	71	(12)	50	278	99	465	1,285	2,452
Income taxes, net	43	20	(0)	24	9	6	44	20	(67)	(48)
Net change in working capital (NCWC)	**(68)**	**102**	**104**	**41**	**(86)**	**(7)**	**(913)**	**(16)**	**985**	**688**
Net cash provided by operating activities	**131**	**632**	**503**	**963**	**735**	**1,016**	**493**	**2,034**	**3,708**	**4,372**
Cash flows from investing activities:										
Proceeds from maturities of marketable securities	138	206	548	1,209	1,546	1,455	1,644	1,888	2,059	3,433
Proceeds from sale of marketable securities	0	0	0	0	773	20	194	67	49	144
Purchases of marketable securities	(440)	(585)	(1,174)	(1,504)	(2,688)	(2,317)	(1,419)	(2,607)	(4,526)	(6,748)
Purchases of property and equipment	(21)	(15)	(24)	(16)	(15)	(65)	(45)	(34)	(32)	(120)
Escrow receipts from past business acquisitions	0	0	0	0	0	1	0	0	0	0
Proceeds from repayment of notes receivable	0	3	2	0	0	0	0	0	0	0
Change in restricted cash	(0)	(1)	0	0	0	0	0	0	0	0
Other	(3)	0	(107)	27	(224)	(20)	(158)	(1)	(7)	(285)
Net cash used in investing activities	**(326)**	**(393)**	**(755)**	**(284)**	**(609)**	**(926)**	**216**	**(687)**	**(2,457)**	**(3,576)**
Cash flows from financing activities:										
Principal payments of lease financing obligations	(1)	(2)	(2)	0	0	0	0	0	0	0
Proceeds from issuance of common stock under equity plans	35	57	54	57	58	67	48	62	60	58
Minimum tax withholding paid on behalf of employees for net share settlement	(1)	(4)	(9)	(9)	(9)	(16)	(33)	(34)	(58)	(51)
Excess tax benefit on stock-based compensation	43	0	0	0	0	0	0	0	0	0
Repurchase of common stock	0	0	0	(266)	(395)	(412)	(670)	(112)	(424)	(1,603)
Net cash used in financing activities	**76**	**51**	**43**	**(218)**	**(346)**	**(361)**	**(655)**	**(84)**	**(422)**	**(1,596)**
Effect of exchange rate changes	(0)	1	(1)	0	2	(2)	(4)	1	(5)	2
Net increase / decrease in cash and cash equivalents	(119)	291	(211)	461	(218)	(272)	51	1,263	824	(799)
Cash and cash equivalents-beginning of period	687	568	865	654	1,116	897	625	676	1,939	2,764
Cash and cash equivalents-end of period	568	859	654	1,116	897	625	676	1,939	2,764	1,965
Free Cash Flow calculations:										
Cash from operations (CFO)	131	632	503	963	735	1,016	493	2,034	3,708	4,372
(-) CapEx	(21)	(15)	(24)	(16)	(15)	(65)	(45)	(34)	(32)	(120)
Free Cash Flow (FCF)	**110**	**616**	**479**	**947**	**720**	**951**	**448**	**2,000**	**3,676**	**4,252**
(-) Share buybacks	0	0	0	(266)	(395)	(412)	(670)	(112)	(424)	(1,603)
Free Cash Flow after share buybacks	**110**	**616**	**479**	**681**	**325**	**539**	**(222)**	**1,887**	**3,253**	**2,649**
Margins:										
FCF margin	9.74%	37.44%	22.28%	39.29%	31.06%	32.26%	10.23%	34.12%	52.49%	47.22%
FCF after share buybacks margin	9.74%	37.44%	22.28%	28.25%	14.00%	18.30%	-5.07%	32.21%	46.44%	29.42%

Arista Networks, Inc
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Operating Cash Flows:										
Net Income	4,707	5,907	7,430	9,131	11,003	13,169	15,123	17,395	18,216	19,822
Depreciation and amortization	66	124	103	92	89	90	93	99	105	109
Change in Accounts receivable	(221)	(609)	(836)	(653)	(837)	(809)	(844)	(972)	(366)	(708)
Change in Inventories	(1,002)	(633)	(1,014)	(1,195)	(1,060)	(1,126)	(1,277)	(1,332)	(524)	(1,022)
Change in Prepaid expenses and other current assets	1,012	(209)	(267)	(108)	(249)	(221)	(203)	(267)	(96)	(182)
Change in Deferred tax asset	(466)	(559)	(671)	(784)	(897)	(1,016)	(1,100)	(1,189)	(1,165)	(1,180)
Change in Accounts payable	123	175	307	244	281	293	301	340	132	251
Change in Accrued liabilities	235	154	202	272	235	241	284	292	114	226
Change in Deferred revenue	(1,922)	417	459	539	531	466	501	508	46	263
Change in Other current liabilities	62	88	103	108	117	112	126	138	52	103
Change in Deferred revenue - noncurrent	190	590	520	531	671	576	661	746	268	546
Change in Other long-term liabilities	99	109	143	151	156	154	173	187	71	140
Net cash flows from operating activities	**2,883**	**5,555**	**6,478**	**8,328**	**10,040**	**11,929**	**13,838**	**15,945**	**16,854**	**18,367**
Investing Cash Flows:										
Capital Expenditures	(244)	(59)	(70)	(81)	(92)	(101)	(109)	(119)	(118)	(122)
Change in Other assets	(29)	(30)	(31)	(32)	(34)	(35)	(37)	(38)	(40)	(42)
Change in Marketable securities	(375)	(391)	(408)	(426)	(444)	(463)	(483)	(503)	(525)	(547)
Change in Goodwill and acquisition-related intangible assets, net	0	0	0	0	0	0	0	0	0	0
Net cash flows from investing activities	**(648)**	**(480)**	**(510)**	**(539)**	**(570)**	**(599)**	**(629)**	**(660)**	**(683)**	**(710)**
Financing Cash Flows:										
Repurchases of Stock	(1,732)	(2,174)	(2,734)	(3,361)	(4,050)	(4,847)	(5,566)	(6,402)	(6,704)	(7,295)
Change in Additional Paid-in Capital	4	0	0	0	0	0	0	0	0	0
Net cash flows from financing activities	**(1,729)**	**(2,174)**	**(2,734)**	**(3,361)**	**(4,050)**	**(4,847)**	**(5,566)**	**(6,402)**	**(6,704)**	**(7,295)**
Change in cash	506	2,901	3,234	4,428	5,421	6,484	7,643	8,883	9,467	10,361
Beginning of year cash	1,964	2,470	5,371	8,605	13,032	18,453	24,937	32,580	41,463	50,930
End of year cash	**2,470**	**5,371**	**8,605**	**13,032**	**18,453**	**24,937**	**32,580**	**41,463**	**50,930**	**61,291**

Arista Networks, Inc.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
NOPLAT:															
Product	2,378	3,716	5,029	5,884	7,577	9,724	12,362	15,548	18,974	22,584	26,067	30,006	34,285	35,903	39,108
Service	570	665	831	1,119	1,429	1,834	2,331	2,932	3,578	4,259	4,916	5,658	6,465	6,770	7,375
Total revenue	**2,948**	**4,381**	**5,860**	**7,003**	**9,006**	**11,558**	**14,694**	**18,480**	**22,552**	**26,843**	**30,983**	**35,665**	**40,750**	**42,673**	**46,482**
Product	(958)	(1,574)	(2,061)	(2,299)	(2,979)	(3,695)	(4,698)	(5,908)	(7,210)	(8,582)	(9,905)	(11,402)	(13,028)	(13,643)	(14,861)
Service	(109)	(132)	(169)	(213)	(258)	(348)	(443)	(557)	(680)	(809)	(934)	(1,075)	(1,228)	(1,286)	(1,401)
Total cost of revenue	(1,067)	(1,706)	(2,230)	(2,512)	(3,237)	(4,044)	(5,141)	(6,465)	(7,890)	(9,391)	(10,839)	(12,477)	(14,257)	(14,930)	(16,262)
Gross profit	1,881	2,676	3,630	4,491	5,769	7,514	9,553	12,015	14,662	17,452	20,143	23,187	26,494	27,744	30,220
Research and development	(587)	(728)	(855)	(997)	(1,237)	(1,387)	(1,763)	(2,218)	(2,706)	(2,953)	(3,098)	(3,566)	(4,075)	(4,267)	(4,648)
Sales and marketing	(286)	(327)	(399)	(427)	(533)	(636)	(808)	(924)	(1,015)	(1,208)	(1,084)	(1,248)	(1,223)	(1,280)	(1,394)
General and administrative	(83)	(93)	(119)	(123)	(142)	(162)	(206)	(259)	(271)	(358)	(406)	(457)	(533)	(555)	(603)
Legal settlement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total operating expenses	(956)	(1,149)	(1,373)	(1,547)	(1,913)	(2,184)	(2,777)	(3,400)	(3,992)	(4,519)	(4,589)	(5,272)	(5,831)	(6,102)	(6,645)
Income from operations (EBIT)	925	1,527	2,257	2,945	3,856	5,330	6,776	8,614	10,670	12,933	15,554	17,915	20,663	21,641	23,575
Estimated operating tax rate	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%
Estimated operating taxes (accrual based)	(161)	(265)	(392)	(512)	(670)	(926)	(1,177)	(1,497)	(1,854)	(2,247)	(2,702)	(3,112)	(3,590)	(3,760)	(4,096)
(-) Change in DTA	1	133	371	495	333	466	559	671	784	897	1,016	1,100	1,189	1,165	1,180
Estimated operating cash taxes	(160)	(133)	(21)	(17)	(337)	(460)	(618)	(826)	(1,069)	(1,350)	(1,687)	(2,013)	(2,401)	(2,595)	(2,915)
NOPLAT	**765**	**1,394**	**2,236**	**2,928**	**3,519**	**4,870**	**6,158**	**7,789**	**9,601**	**11,583**	**13,868**	**15,903**	**18,262**	**19,046**	**20,659**
Y/Y Change	34.7%	82.3%	60.4%	30.9%	20.2%	38.4%	26.4%	26.5%	23.3%	20.6%	19.7%	14.7%	14.8%	4.3%	8.5%
Margin	25.9%	31.8%	38.2%	41.8%	39.1%	42.1%	41.9%	42.1%	42.6%	43.2%	44.8%	44.6%	44.8%	44.6%	44.4%
Invested Capital (IC):															
Operating current assets:															
Cash and cash equivalents	621	672	1,939	2,762	1,964	2,354	3,022	3,842	4,832	5,896	7,018	8,100	9,324	10,654	11,157
Accounts receivable, net	517	923	1,025	1,140	1,887	2,108	2,717	3,553	4,207	5,044	5,853	6,697	7,669	8,036	8,743
Inventories	650	1,290	1,945	1,835	2,247	3,249	3,882	4,896	6,091	7,151	8,277	9,554	10,887	11,411	12,433
Prepaid expenses and other current assets	238	314	413	632	1,510	498	707	974	1,082	1,331	1,552	1,755	2,022	2,118	2,300
Total operating current assets	**2,025**	**3,199**	**5,321**	**6,370**	**7,608**	**8,210**	**10,328**	**13,265**	**16,211**	**19,423**	**22,700**	**26,107**	**29,903**	**32,219**	**34,634**
Operating current liabilities:															
Accounts payable	203	233	435	381	652	774	949	1,256	1,500	1,782	2,075	2,376	2,716	2,848	3,099
Accrued liabilities	227	292	407	435	475	711	864	1,066	1,338	1,573	1,814	2,098	2,390	2,504	2,730
Deferred revenue	594	637	915	1,727	4,003	2,080	2,498	2,957	3,496	4,026	4,492	4,993	5,501	5,548	5,810
Other current liabilities	87	131	152	189	247	309	397	500	608	725	837	963	1,101	1,152	1,255
Total operating current liabilities	**1,110**	**1,294**	**1,910**	**2,732**	**5,377**	**3,875**	**4,708**	**5,780**	**6,942**	**8,106**	**9,218**	**10,430**	**11,708**	**12,052**	**12,894**
Net operating working capital (NOWC)	**915**	**1,905**	**3,411**	**3,637**	**2,231**	**4,335**	**5,619**	**7,486**	**9,269**	**11,316**	**13,482**	**15,677**	**18,194**	**20,167**	**21,740**
Fixed assets:															
Property and equipment, net	79	95	102	99	203	380	315	282	271	274	285	301	322	334	347
Operating lease right-of-use assets	65	53	56	52	54	64	73	83	90	94	93	89	82	64	46
Total fixed capital	**144**	**148**	**157**	**151**	**257**	**444**	**388**	**365**	**361**	**368**	**378**	**390**	**403**	**398**	**393**
Other long-term operating liabilities:															
Deferred revenue, non-current	336	404	591	1,064	1,370	1,560	2,150	2,670	3,201	3,872	4,447	5,109	5,855	6,123	6,669
Goodwill and acquisition-related intangible assets, net	282	388	357	331	416	416	416	416	416	416	416	416	416	416	416
Total Intangible Capital	**282**	**388**	**357**	**331**	**416**	**416**	**416**	**416**	**416**	**416**	**416**	**416**	**416**	**416**	**416**
Invested Capital	**1,005**	**2,038**	**3,335**	**3,055**	**1,535**	**3,635**	**4,273**	**5,597**	**6,846**	**8,229**	**9,829**	**11,375**	**13,159**	**14,858**	**15,880**
Invested Capital w/o Goodwill	**723**	**1,650**	**2,978**	**2,724**	**1,119**	**3,219**	**3,857**	**5,181**	**6,430**	**7,813**	**9,413**	**10,959**	**12,743**	**14,442**	**15,464**
Free Cash Flow (FCF):															
NOPLAT	765	1,394	2,236	2,928	3,519	4,870	6,158	7,789	9,601	11,583	13,868	15,903	18,262	19,046	20,659
Change in IC	(251)	1,033	1,297	(280)	(1,520)	2,100	638	1,324	1,249	1,383	1,600	1,546	1,784	1,699	1,022
FCF	**1,016**	**362**	**939**	**3,208**	**5,039**	**2,770**	**5,520**	**6,465**	**8,352**	**10,200**	**12,268**	**14,356**	**16,478**	**17,347**	**19,637**
Return on Invested Capital (ROIC):															
NOPLAT	765	1,394	2,236	2,928	3,519	4,870	6,158	7,789	9,601	11,583	13,868	15,903	18,262	19,046	20,659
Beginning IC	1,257	1,005	2,038	3,335	3,055	1,535	3,635	4,273	5,597	6,846	8,229	9,829	11,375	13,159	14,858
ROIC	**60.9%**	**138.7%**	**109.7%**	**87.8%**	**115.2%**	**317.3%**	**169.4%**	**182.3%**	**171.5%**	**169.2%**	**168.5%**	**161.8%**	**160.5%**	**144.7%**	**139.0%**
Economic Profit (EP):															
Beginning IC	1,257	1,005	2,038	3,335	3,055	1,535	3,635	4,273	5,597	6,846	8,229	9,829	11,375	13,159	14,858
x (ROIC - WACC)	49.20%	127.02%	98.05%	76.11%	103.54%	305.64%	157.72%	170.58%	159.85%	157.51%	156.85%	150.12%	148.87%	133.07%	127.37%
EP	**618**	**1,277**	**1,998**	**2,538**	**3,163**	**4,691**	**5,734**	**7,290**	**8,948**	**10,784**	**12,907**	**14,755**	**16,934**	**17,510**	**18,925**
Return on Invested Capital (ROIC) Components:															
NOPLAT Growth	34.7%	82.3%	60.4%	30.9%	20.2%	38.4%	26.4%	26.5%	23.3%	20.6%	19.7%	14.7%	14.8%	4.3%	8.5%
IC Growth	(20.0%)	102.7%	63.6%	(8.4%)	(49.8%)	136.8%	17.6%	31.0%	22.3%	20.2%	19.4%	15.7%	15.7%	12.9%	6.9%
ROIC Growth	31.5%	127.9%	(20.9%)	(20.0%)	31.2%	175.4%	(46.6%)	7.6%	(5.9%)	(1.4%)	(0.4%)	(4.0%)	(0.8%)	(9.8%)	(3.9%)
Invested Capital Turnover:															
Revenue	2,948	4,381	5,860	7,003	9,006	11,558	14,694	18,480	22,552	26,843	30,983	35,665	40,750	42,673	46,482
Beginning IC	1,257	1,005	2,038	3,335	3,055	1,535	3,635	4,273	5,597	6,846	8,229	9,829	11,375	13,159	14,858
IC Turnover (x)	2.35x	4.36x	2.88x	2.10x	2.95x	7.53x	4.04x	4.32x	4.03x	3.92x	3.77x	3.63x	3.58x	3.24x	3.13x
Nopat Margin:	25.9%	31.8%	38.2%	41.8%	39.1%	42.1%	41.9%	42.1%	42.6%	43.2%	44.8%	44.6%	44.8%	44.6%	44.4%
ROIC	60.9%	138.7%	109.7%	87.8%	115.2%	317.3%	169.4%	182.3%	171.5%	169.2%	168.5%	161.8%	160.5%	144.7%	139.0%

Arista Networks, Inc

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*
Risk-Free Rate	4.28%	*10Y Treasury Bond*
Beta	1.67	*5Y Weekly raw beta*
Equity Risk Premium	4.43%	*Henry Fund Estimate*
Cost of Equity	**11.67%**	

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	1,285.4	
Current Stock Price	$176.91	
MV of Equity	**227,394.81**	100.00%
Market Value of the Firm	**227,394.81**	100.00%

Estimated WACC	**11.67%**

Arista Networks, Inc

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:	
CV Growth of NOPLAT	3.50%
CV Year ROIC	139.0%
WACC	11.67%
Cost of Equity	11.67%

Terminal WACC
9%

Fiscal Years Ending Dec. 31		2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
DCF Model:											
Free Cash Flow (FCF)		2,770	5,520	6,465	8,352	10,200	12,268	14,356	16,478	17,347	19,637
Continuing Value (CV)											366,171
PV of FCF		2,480	4,426	4,642	5,370	5,873	6,325	6,628	6,812	6,422	168,595
		1.14%	2.03%	2.13%	2.47%	2.70%	2.91%	3.05%	3.13%	2.95%	77.49%
Value of Operating Assets:		217,573									
Non-Operating Adjustments:											
PV of ESOP		(132)									
Cash & Cash Equivalents		1,964									
Marketable Securities		8,779									
Value of Equity		228,184									
Shares Outstanding		1,285.4									
Intrinsic Value of Last FYE	$	177.52									
Implied Price as of Today	$	183.25									
EP Model:											
Economic Profit (EP)		4,691	5,734	7,290	8,948	10,784	12,907	14,755	16,934	17,510	18,925
Continuing Value (CV)											346,899
PV of EP		4,201	4,598	5,234	5,753	6,209	6,654	6,812	7,001	6,482	159,722
Total PV of EP		212,665									
Invested Capital (last FYE)		1,535									
Value of Operating Assets:		214,200									
Non-Operating Adjustments											
PV of ESOP		(132)									
Cash & Cash Equivalents		1,964									
Marketable Securities		8,779									
Value of Equity		224,811									
Shares Outstanding		1285.4									
Intrinsic Value of Last FYE	$	174.90									
Implied Price as of Today	$	180.54									

Arista Networks, Inc

Relative Valuation Models

Ticker	Company	Price	EPS 2026E	EPS 2027E	P/E 26	P/E 27	Est. 5yr EPS gr.	PEG 25	PEG 26
CSCO	Cisco Systems, Inc	$79.02	$4.15	$4.52	19.04	17.48	7.4	2.57	2.36
HPE	Hewlett Packard Enterprise Co.	$24.61	$2.41	$2.73	10.21	9.01	19.9	0.51	0.45
MRVL	Marvell Technology, Inc.	$107.11	$3.83	$5.43	27.97	19.73	36.6	0.76	0.54
AVGO	Broadcom Inc.	$314.55	$11.23	$17.74	28.01	17.73	32.6	0.86	0.54
				Average	21.31	15.99		1.18	0.97
ANET	Arista Networks, Inc	$176.91	$3.77	$4.75	46.9	37.2	26.8	1.8	1.4

Implied Relative Value:

P/E (EPS25)	**$ 80.33**
P/E (EPS26)	**$ 75.97**
PEG (EPS25)	**$ 118.78**
PEG (EPS26)	**$ 123.91**

Arista Networks, Inc

Valuation of Options Granted under ESOP

Current Stock Price	$176.91
Risk Free Rate	4.28%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	1	12.93	2.70	$ 165.39	$ 132
Total	1	$ 12.93	2.70	$ 165.39	**$ 132**

Arista Networks, Inc

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	1
Average Time to Maturity (years):	2.70
Expected Annual Number of Options Exercised:	0
Current Average Strike Price:	$ 12.93
Cost of Equity:	11.67%
Current Stock Price:	$176.91

Fiscal Years Ending Dec. 31	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Increase in Shares Outstanding:	0	0	0	0	0	0	0	0	0	0
Average Strike Price:	$ 12.93	$ 12.93	$ 12.93	$ 12.93	$ 12.93	$ 12.93	$ 12.93	$ 12.93	$ 12.93	$ 12.93
Increase in Common Stock Account:	**4**	**4**	**4**	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Share Repurchases ($)	1,732	2,174	2,734	3,361	4,050	4,847	5,566	6,402	6,704	7,295
Expected Price of Repurchased Shares:	$ 176.91	$ 197.56	$ 220.63	$ 246.38	$ 275.15	$ 307.27	$ 343.14	$ 383.19	$ 427.93	$ 477.89
Number of Shares Repurchased:	**10**	**11**	**12**	**14**	**15**	**16**	**16**	**17**	**16**	**15**
Shares Outstanding (beginning of the year)	1,258	1,249	1,238	1,226	1,212	1,198	1,182	1,167	1,150	1,135
Plus: Shares Issued Through ESOP	0	0	0	0	0	0	0	0	0	0
Less: Shares Repurchased in Treasury	10	11	12	14	15	16	16	17	16	15
Shares Outstanding (end of the year)	**1,249**	**1,238**	**1,226**	**1,212**	**1,198**	**1,182**	**1,167**	**1,150**	**1,135**	**1,120**

DCF ROIC

183.25	90.0%	110.0%	125.0%	139.0%	155.0%	170.0%	190.0%
10.00%	$184.83	$185.81	$186.34	$186.73	$187.09	$187.37	$187.67
11.00%	$182.70	$183.68	$184.21	$184.60	$184.96	$185.24	$185.54
11.67%	$181.35	$182.33	$182.86	**$183.25**	$183.61	$183.89	$184.19
12.50%	$179.77	$180.75	$181.28	$181.68	$182.04	$182.31	$182.61
13.50%	$177.98	$178.96	$179.49	$179.88	$180.24	$180.52	$180.82

DCF Terminal Growth Rate

$183.25	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
7.50%	$202.93	$217.82	$236.01	$258.75	$287.99	$326.98	$381.56
8.00%	$184.20	$196.05	$210.27	$227.65	$249.38	$277.32	$314.57
8.50%	$168.58	$178.17	$189.49	$203.08	$219.70	$240.46	$267.16
9.00%	$155.42	$163.27	$172.43	**$183.25**	$196.24	$212.12	$231.97
9.50%	$144.19	$150.70	$158.20	$166.96	$177.31	$189.73	$204.90
10.00%	$134.54	$139.99	$146.21	$153.38	$161.75	$171.65	$183.52
10.50%	$126.18	$130.77	$135.98	$141.92	$148.79	$156.79	$166.26
11.00%	$118.88	$122.79	$127.18	$132.16	$137.85	$144.41	$152.07