

ARISTA

Arista in Q3 2019

Safe Harbor

This presentation and the accompanying oral presentation contain forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to management. Forward-looking statements include all statements other than statements of historical fact contained in this presentation, including concerning our business plans and objectives, our growth drivers, total addressable market, potential growth opportunities, market potential by speed, the router market, the campus switching market, the datacenter switching market, the transition from 100GbE products to 400GbE products, competitive position, benefits of Arista's platforms, industry environment and potential market opportunities.

Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from those anticipated in or implied by the forward-looking statements including risks associated with: the evolution and growth of the cloud networking market and the adoption by end customers of Arista's cloud networking solutions; rapid technological and market change; Arista's customer concentration; changes in Arista's customers' demand for our products and services; general market, political, economic and business conditions; Arista's rapid growth and our revenue growth rate; Arista's limited operating history; dependence on the introduction and market acceptance of new product offerings and standards including our 400G products as well as our campus and WiFi products; declines in the sales prices of our products and services; our ability to attract new large end customers or sell additional products and services to existing customers; competition in our products and service markets; requests for more favorable terms and conditions from our large end customers; customer order patterns or customer mix; the timing of orders and manufacturing and customer lead times; the benefits and impact of acquisitions; and Arista's dispute with OptumSoft. Additional risks and uncertainties that could affect Arista Networks can be found in Arista's most recent Quarterly Report on Form 10-Q filed with the SEC on August 2, 2019, and other filings that the company makes to the SEC from time to time. You can locate these reports through our website at <http://investors.arista.com> and on the SEC's website at www.sec.gov.

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Arista Networks Overview

Q3 2019

\$654.4M

Q3'19 Revenue

Q2 2019

\$608.3M

Q2'19 Revenue

\$2.69

Q3'19 diluted EPS ⁽¹⁾

\$2.44

Q2'19 diluted EPS ⁽¹⁾

16.0%

Q3'19 Y/Y Revenue Growth

17.0%

Q2'19 Y/Y Revenue Growth

39.4%

Q3'19 Operating Margin ⁽¹⁾

38.7%

Q2'19 Operating Margin ⁽¹⁾

IPO 2014

June 6th

S&P 500

Added in 2018

5 Year TAM

\$16B 2018 to \$30B 2022



Company

Headquarters: Santa Clara, California

Website: www.arista.com

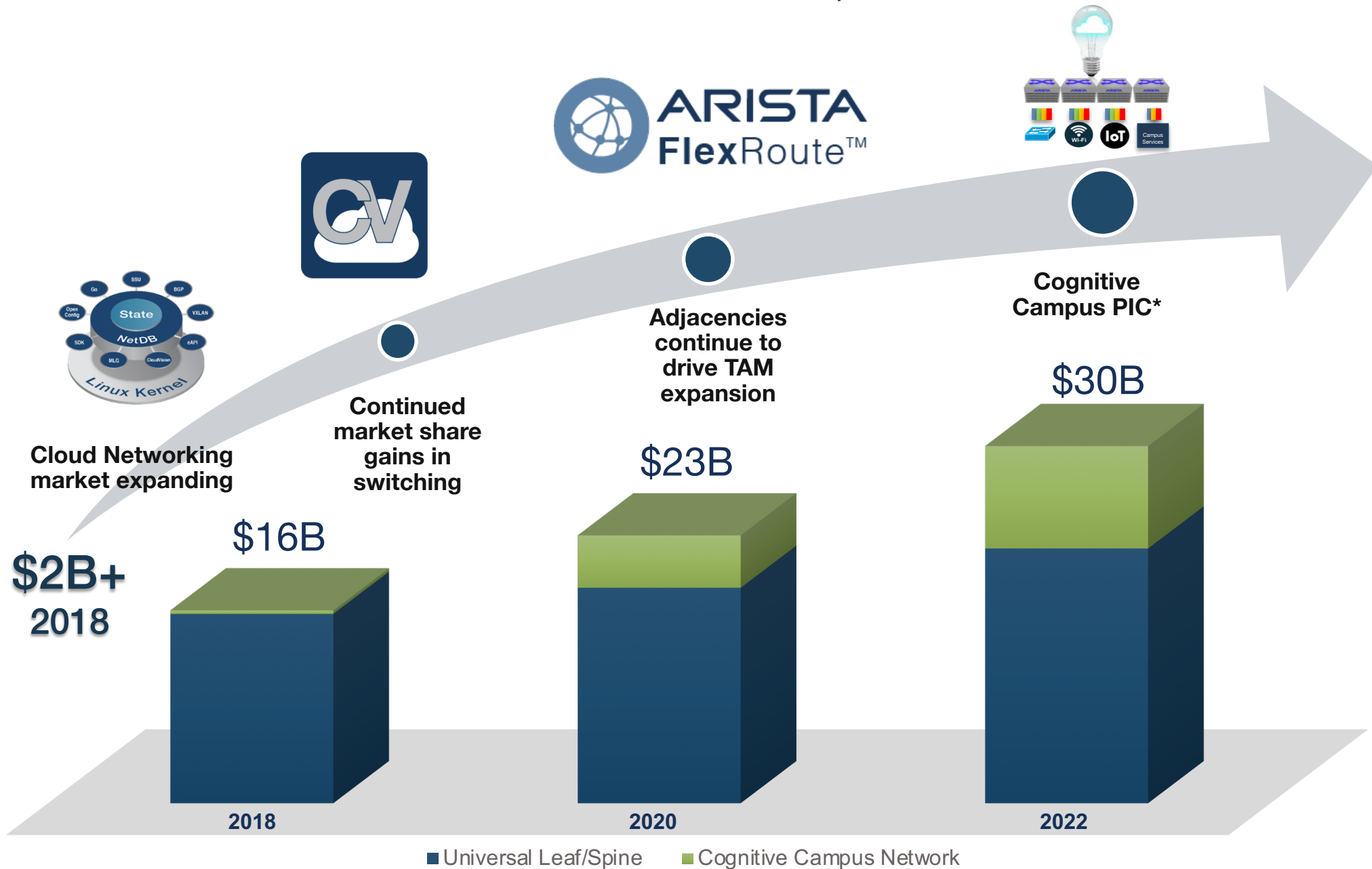
Email: info@arista.com



Ticker: ANET

⁽¹⁾ Non-GAAP

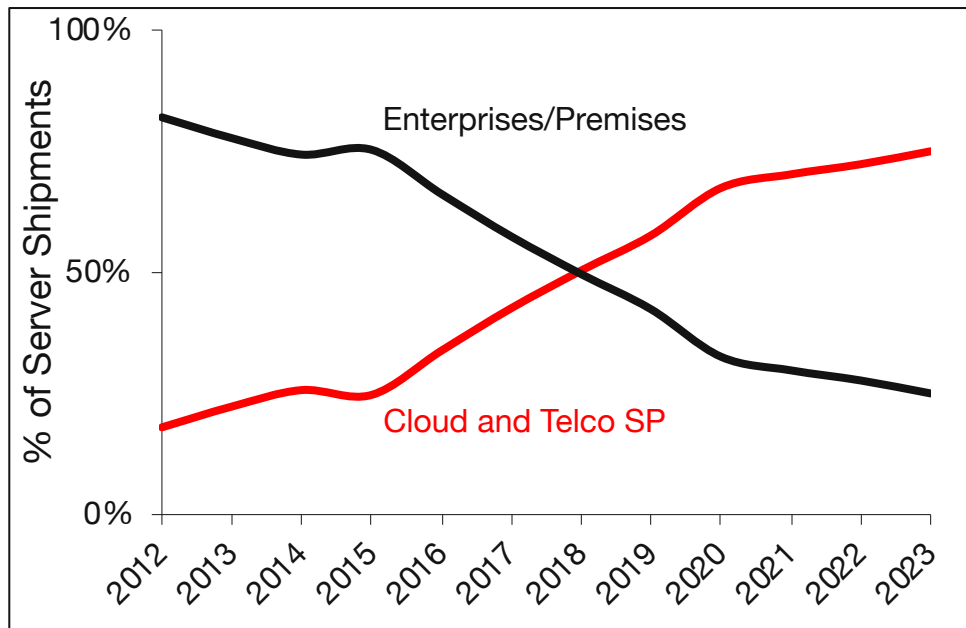
Arista's Growth Drivers and Path to \$30B TAM



Source: Arista internal estimates and various industry analysts * PIC – Places In the Cloud

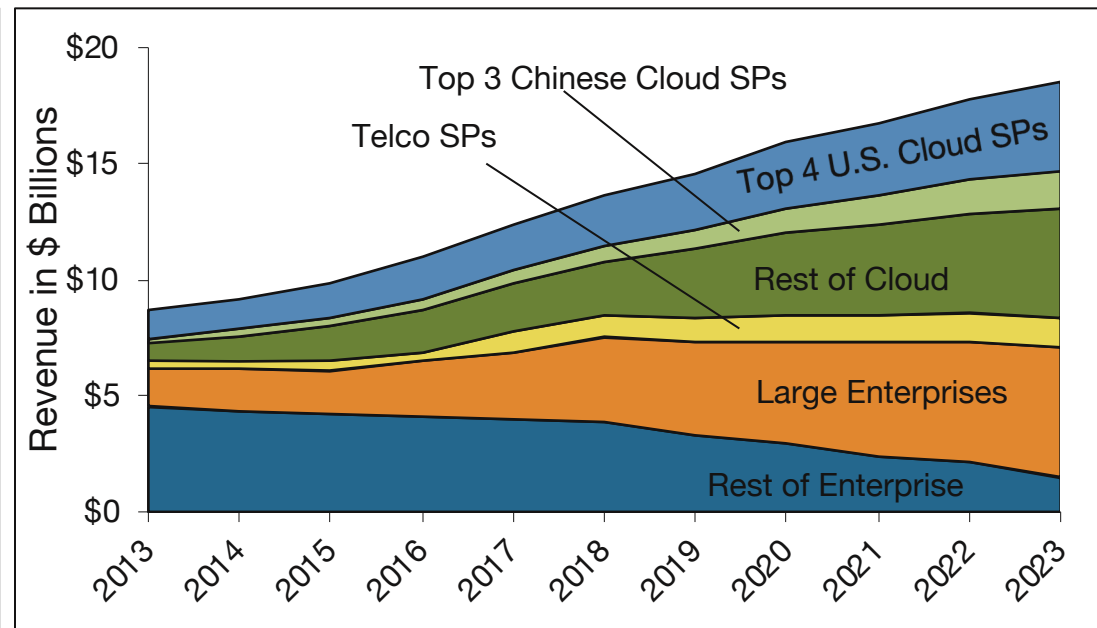
Arista's Cloud Networking Opportunity

Server Shipments



Source: Dell'Oro Group Server Research July 2019

Data Center Ethernet Switch Revenue



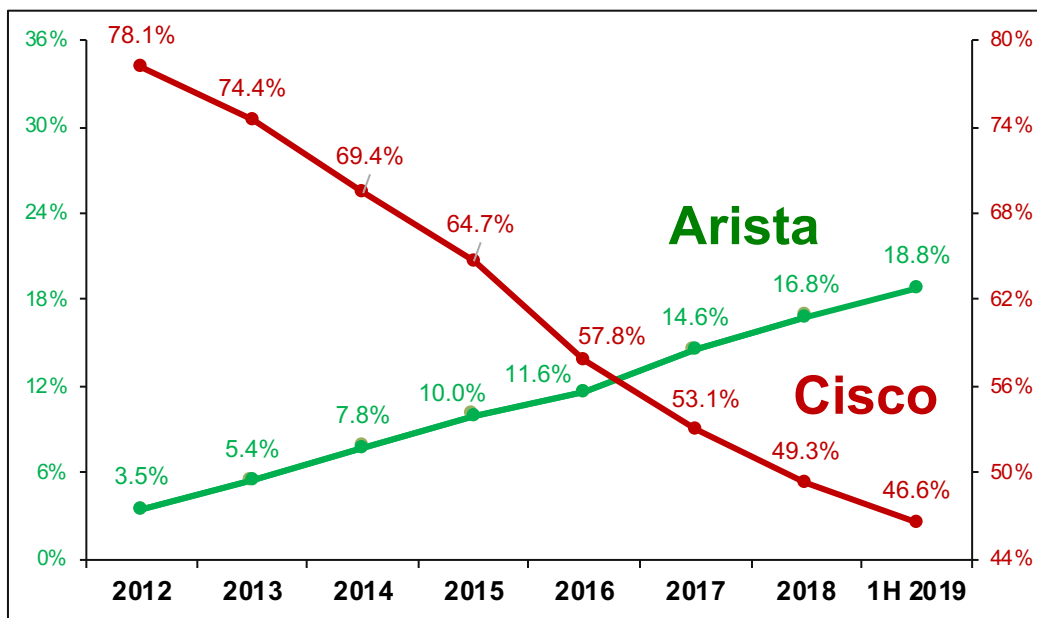
Source: Dell'Oro Ethernet Switch Data Center Forecast July 2019

- Enterprise workloads are migrating to public & hybrid clouds
- Traditional enterprise served <100,000 employees vs. clouds @ hundreds of millions of users
- The emergence of cloud native apps & containers necessitates a new architecture

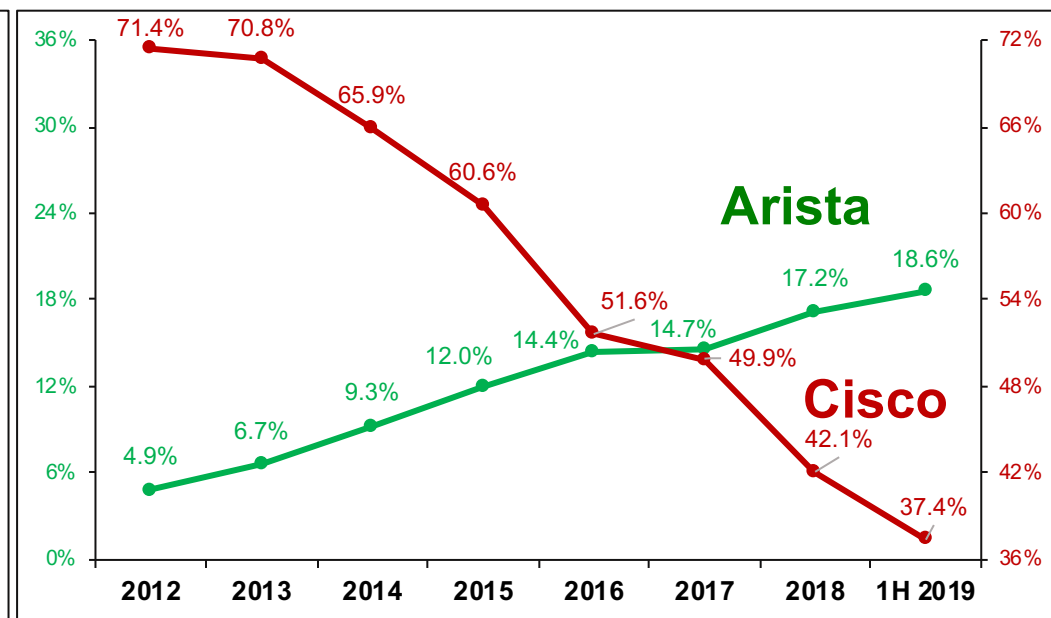
Arista Market Share vs Cisco

High Speed Data Center Switching Market

Share in Dollars



Share in Ports

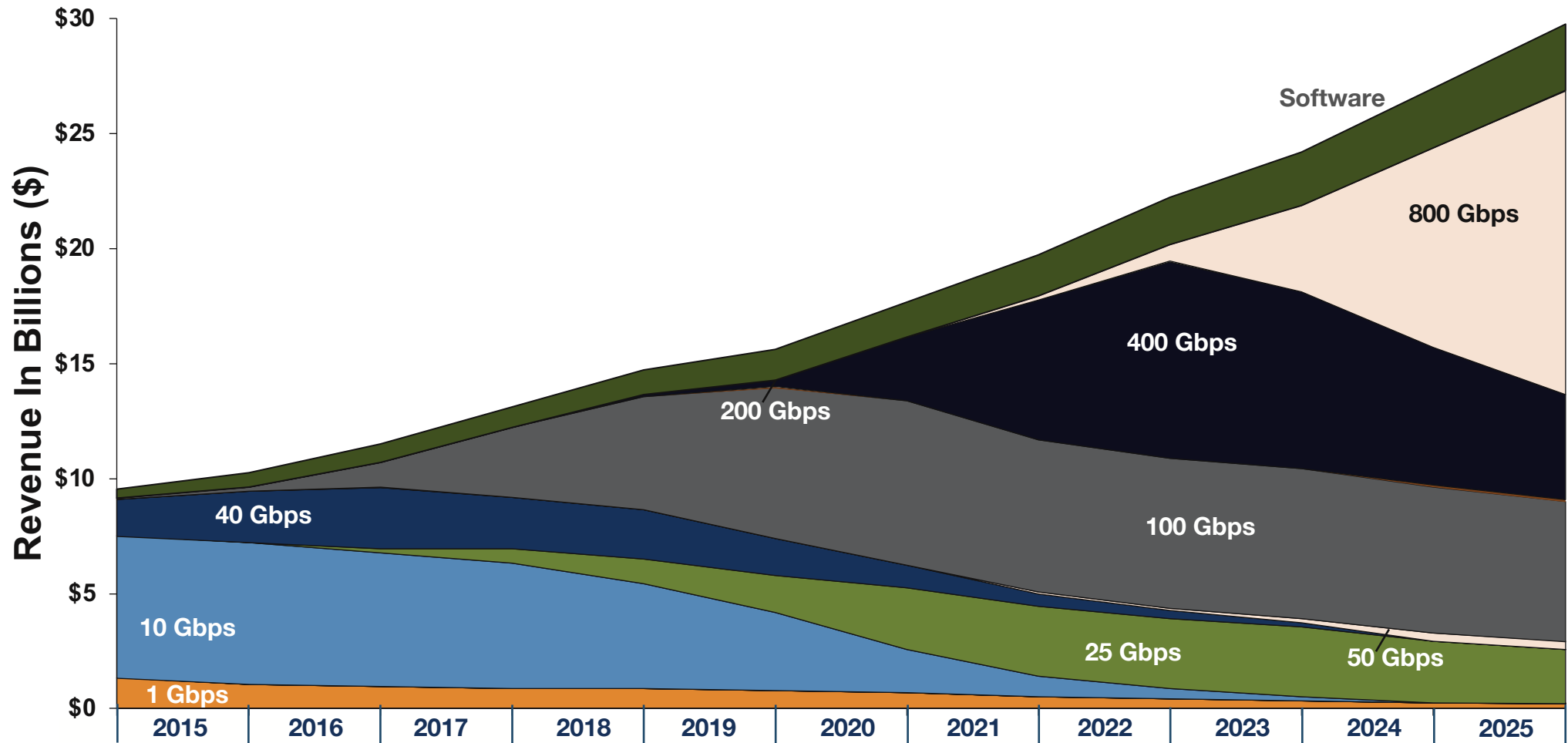


Source: Crehan Research Datacenter Switch Market Share Report Q2'2019

Note: 10GbE and Higher - Excludes blade switches

Market Potential by Speed

Data Center Ethernet Switch Revenue (\$Bn)



Source: 650 Group June 2019 - Long Term Ethernet Switch forecast

Recognized by Gartner

As a Leader for the 5th consecutive year in 2019 Magic Quadrant for Data Center Networking

Magic Quadrant

Figure 1. Magic Quadrant for Data Center Networking



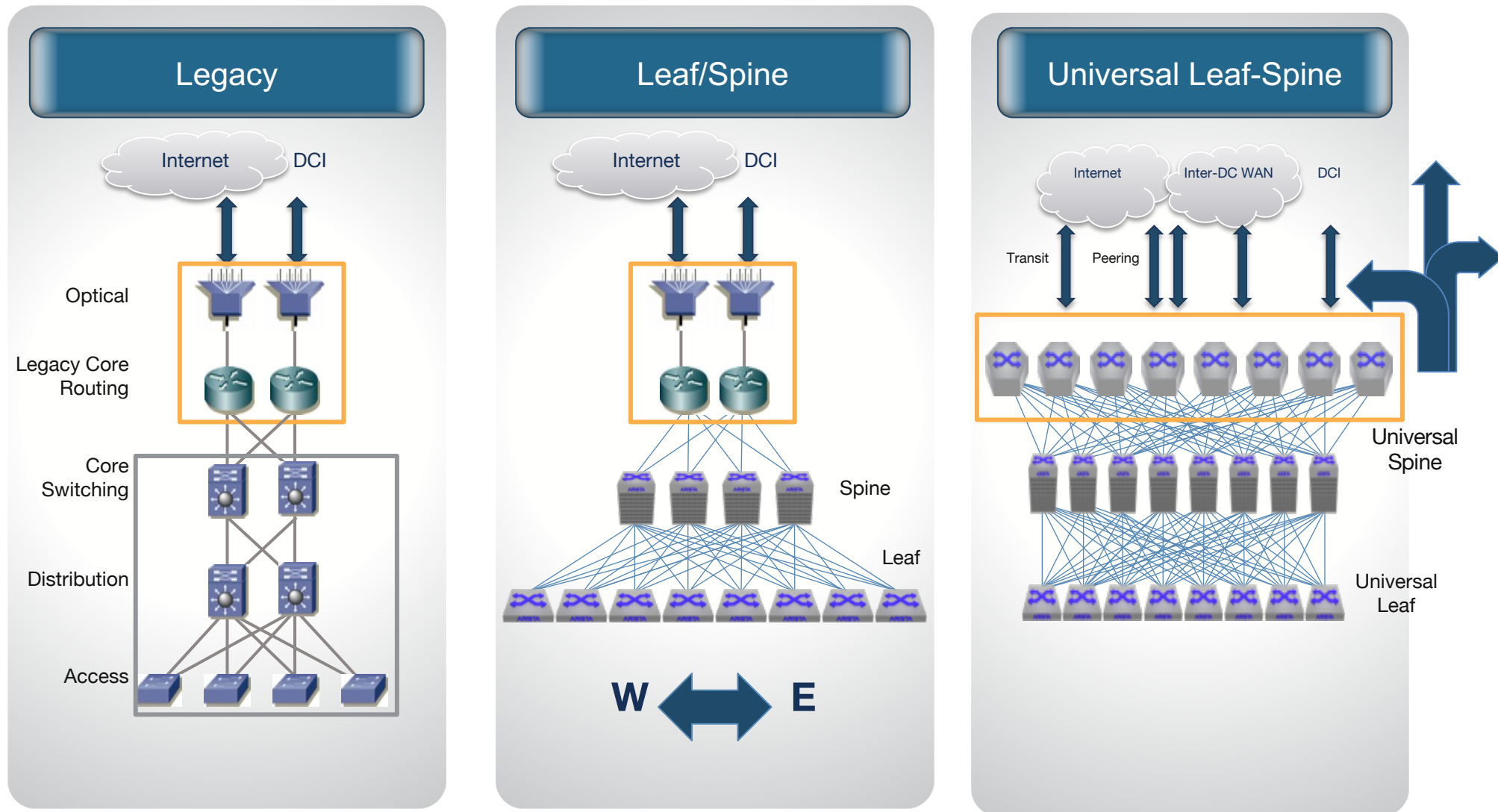
[View a Complimentary Copy of the Report:](https://www.gartner.com/doc/reprints?id=1-1OAIHHDJ&ct=190718&st=sb)

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Report published on 15 July 2019; Authored by Andrew Lerner, Mike Toussaint, et al. This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document is available upon request from Arista Networks.

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Evolution of the Universal Cloud Network Architecture



Routing is Integrated into the Universal Spine and Leaf

Proven Architectural Flexibility

Open, Programmable, Modular, Scalable

Automation,
Telemetry,
Diagnostics



CloudVision - One Tool for
Automation, Control,
Telemetry and Diagnostics



One Image, Flexible
Packaging Option

Arista EOS

Abstraction Layer

Hardware
System Design

Merchant Silicon
7 Architectures

Trident	Tomahawk
Tofino	Jericho/Qumran
Fulcrum	Xpliant Helix

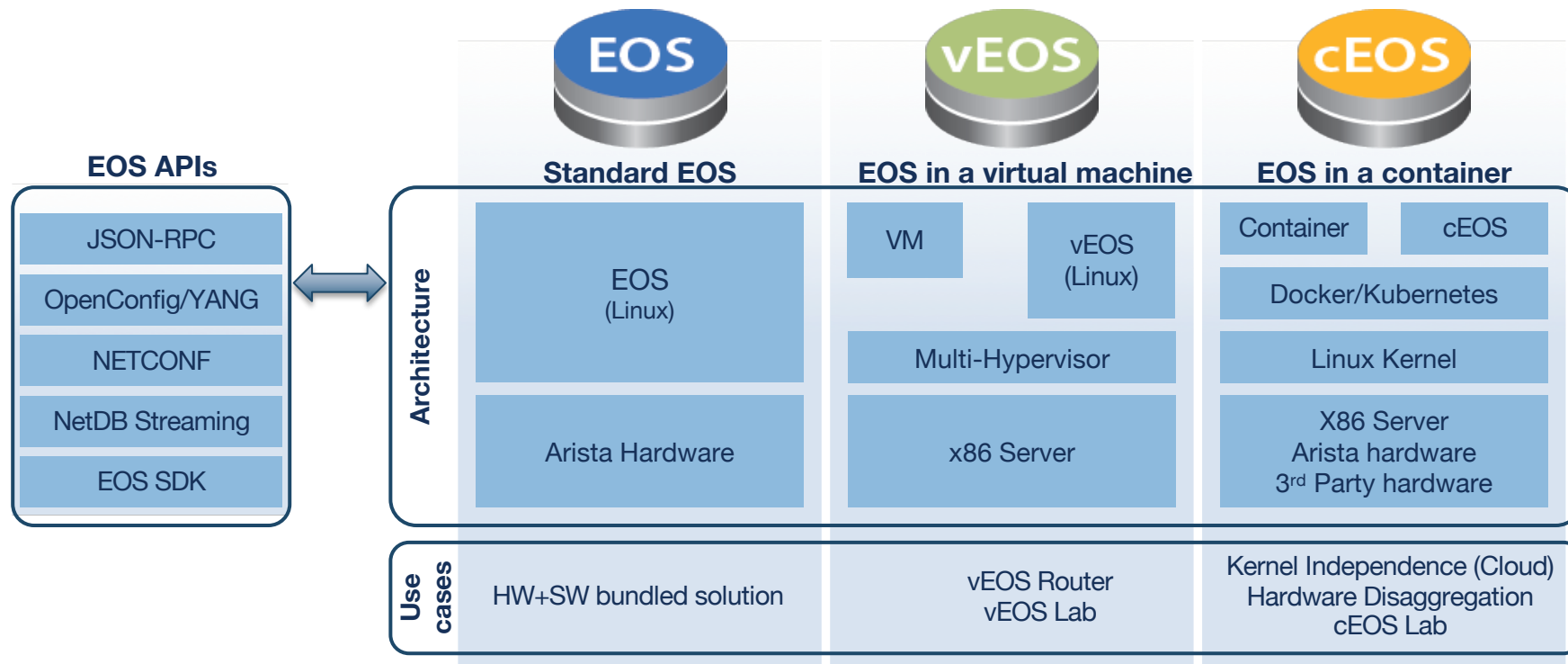


10G, 25G, 40G, 50G, 100G, 200G, 400G

Leading Performance in
Cooling, Energy Efficiency,
Serviceability, Scale and
Breadth of Optics

Leading Performance
Best of Breed
Merchant Silicon

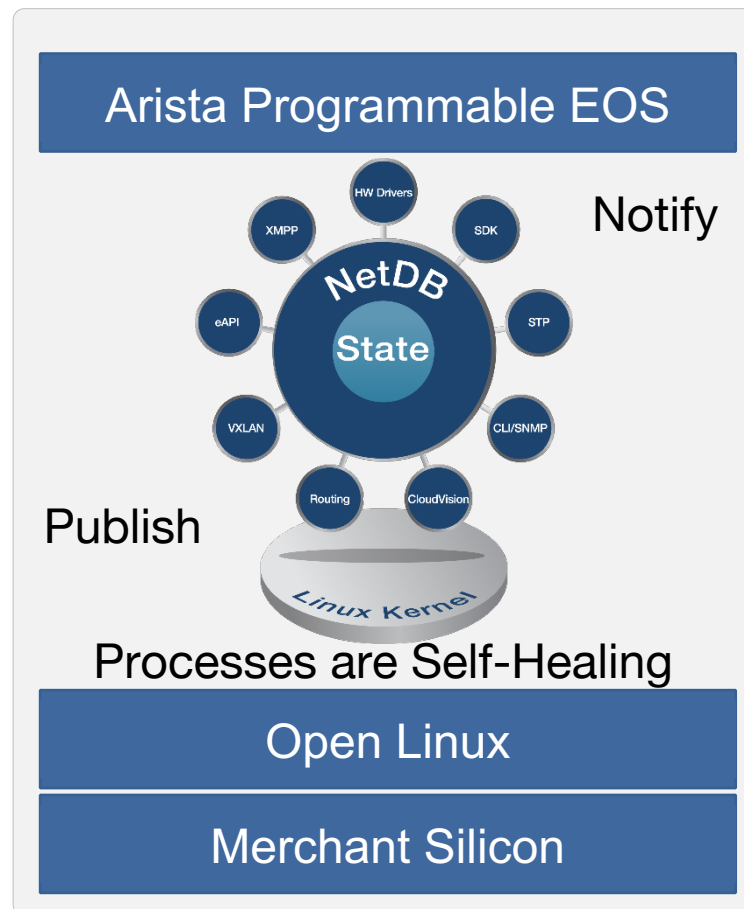
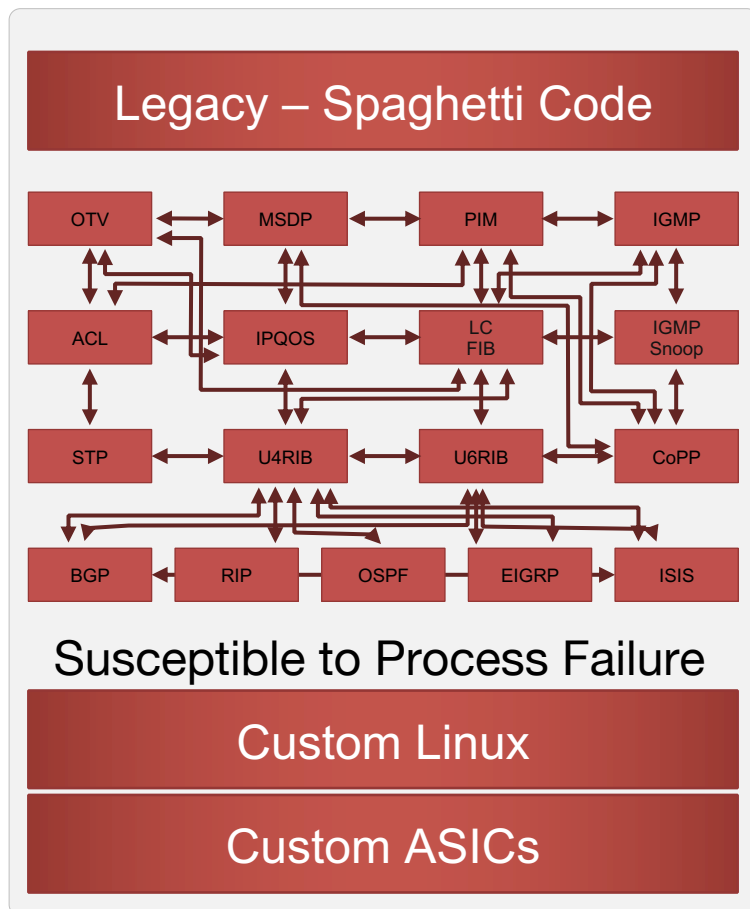
Arista's EOS offers an Open Programmable Environment with Flexible Packaging Options



EOS was engineered from the beginning to support open Linux with rich APIs. Adhering to these principles, Arista today delivers a scalable architecture that offers flexible packaging options in an open programmable environment.

Arista's Cloud Scale Software Architecture

- Differentiated Advantages
 - Stateful Orientation
 - Modern, Open, and Scalable Architecture
 - Software Quality



Resilient

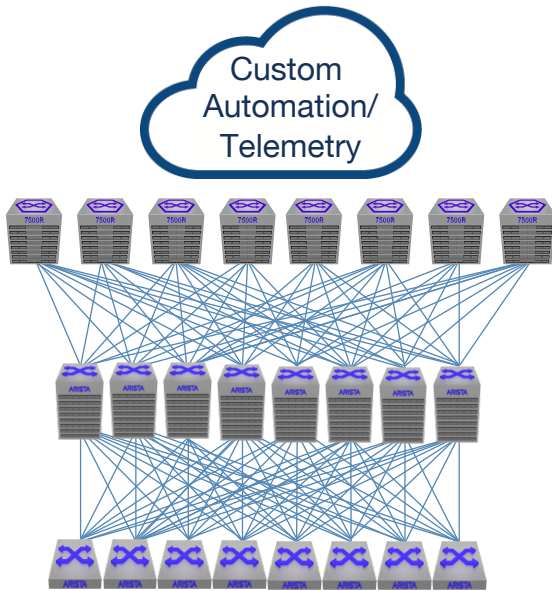
Programmable

Scalable

Cloud Networking is Everywhere: Three Key Markets – One Architecture – One EOS

Arista
Cloud Scale

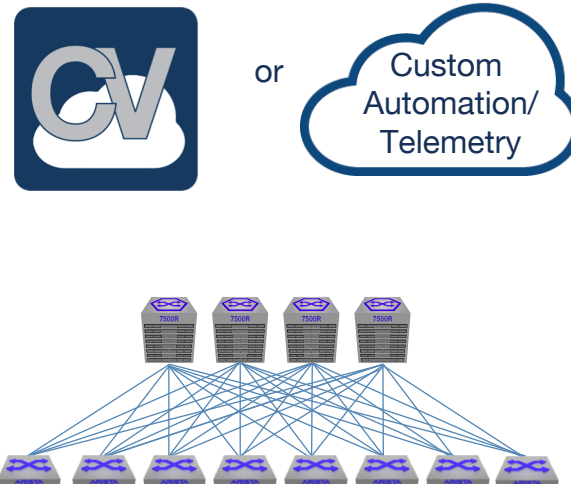
Cloud Titans



Scale and
Control Driven

Arista
Cloud Class

Key Verticals



Best of Breed
Driven

Arista
Cognitive Cloud

Enterprise



Turnkey
Driven

CloudVision: Multi-Function Platform

Automated Deployments

Zero Touch Provisioning,
Hierarchical Config, Extensibility



Real-time Telemetry

Granular state streaming for time-series
metrics, flows, and events



Change Controls

Orchestrate network-wide
upgrades, rollback and
snapshots



Cognitive Analytics

Correlations, trend analysis,
predictive algorithms across wired
and wireless state, network-wide



Compliance / Risk

Continuously assess, report, and
remediate deviations, vulnerabilities,
bugs



Security Services

Security policy enforcement,
Policy server integration, Wireless
IPS



Data Center, Campus Wired/WiFi, Public Cloud, TapAgg

Powerful Analytics Start with Rich Data



*'Arista has helped Ramsay Health Care to reduce operational costs through **faster mean-time-to-root cause**. The Arista CloudVision platform has become **the source of truth** for our network infrastructure and is **a critical part** of the network operations at Ramsay Health Care,'*

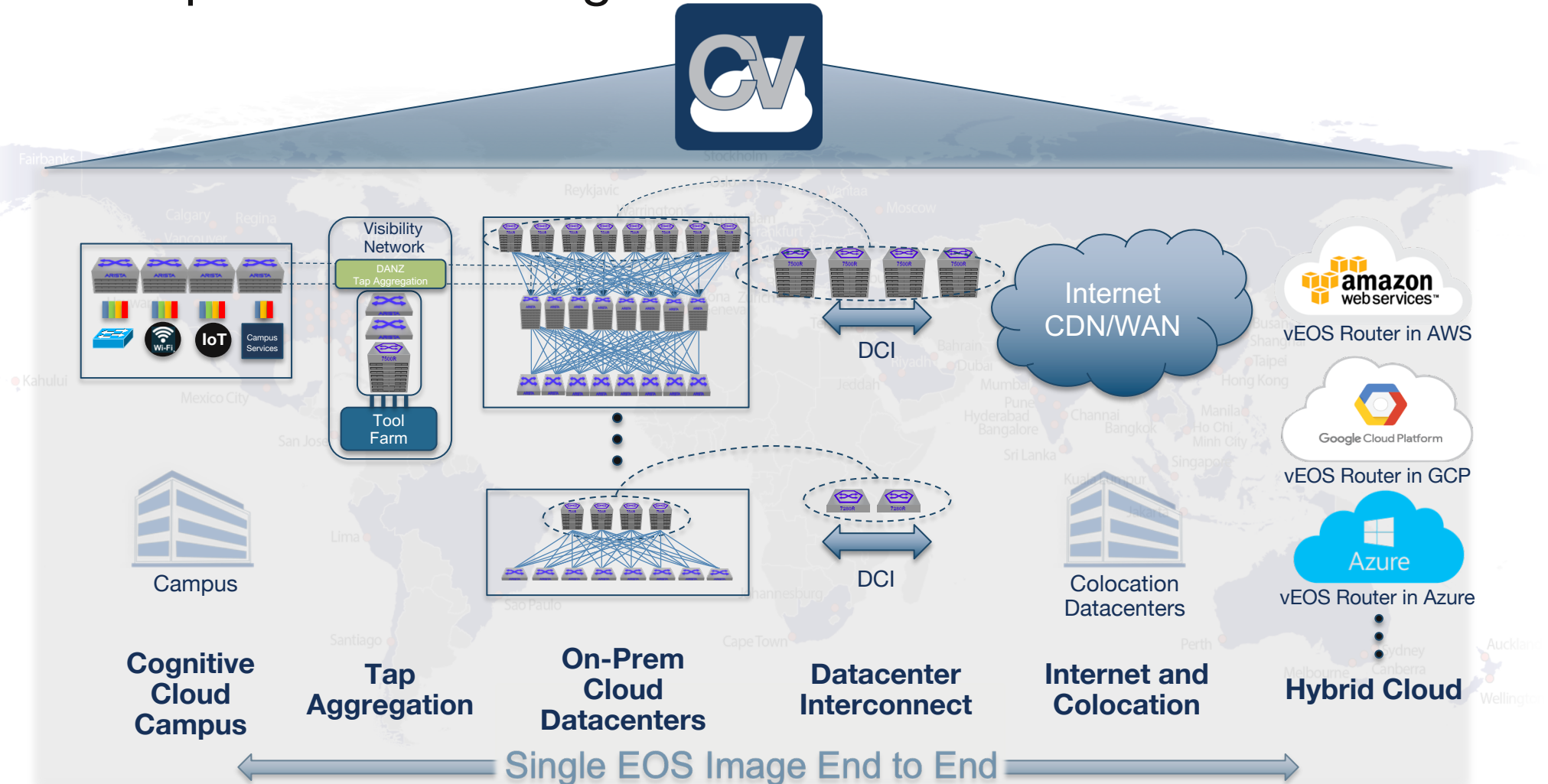
~ John Sutherland, CIO, Ramsay Health Care

New Capabilities in CloudVision 2019

- Data Plane visibility
- Native OpenConfig for wired and wireless
- More Analytics and Visualizations

Better Telemetry → Faster Time to Root Cause → Network Innocence

A Single EOS Image Underpins a Sustainable Competitive Advantage



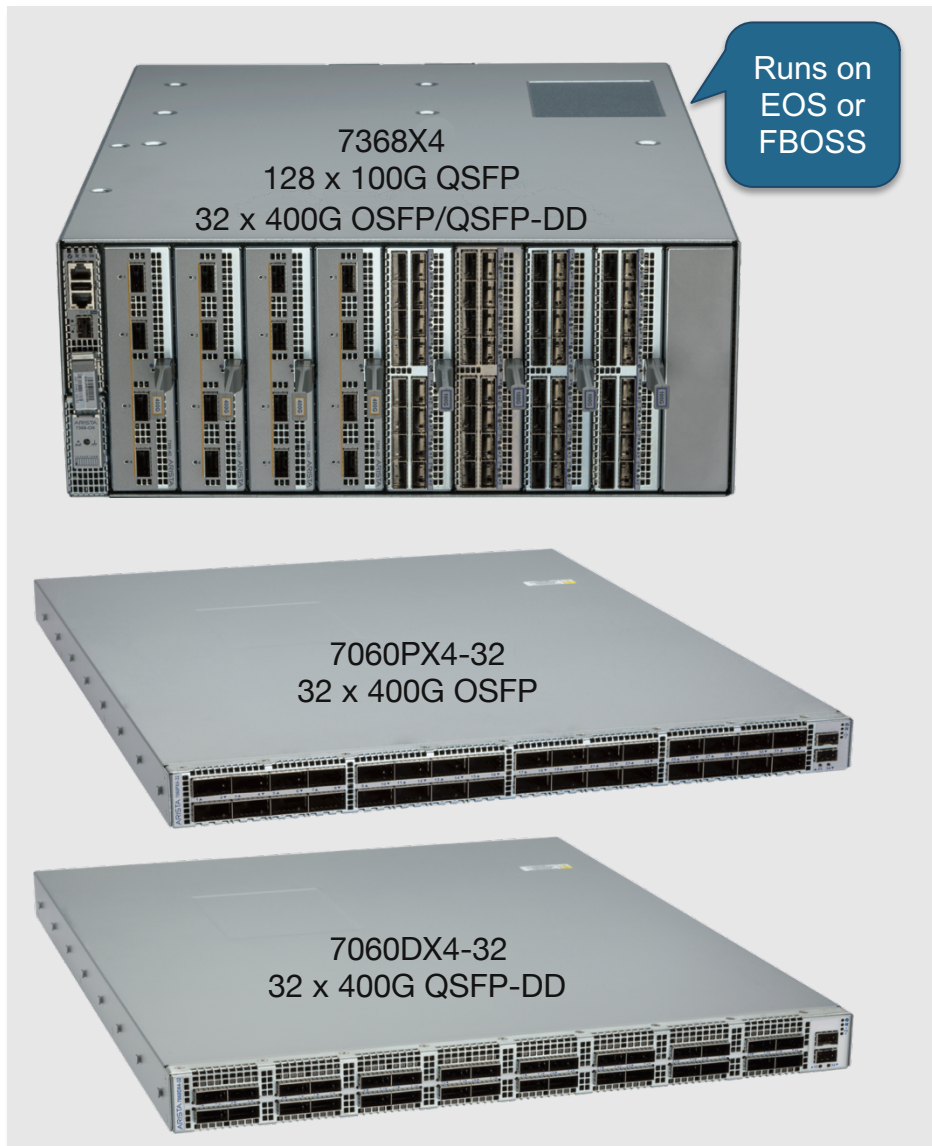
A single image improves network availability while lowering TCO. Legacy vendors have multiple images with multiple management tools, adding complexity, multiplying cost and reducing stability.

Cloud-Class Market Leadership Platform Portfolio



Single Image Arista EOS Across All Platforms

Arista 100G/400G Platforms with Optics Form Factor Choices



- 400G Switches Deliver
 - 2x price performance
 - 2x power efficiency
 - 4x density per 1RU
 - 4x network scale without change to topology
- Optics Form Factor Choices
 - 32 x 400G OSFP
 - » 128 x 100G with parallel optics and cables
 - » 32 x 100G with OSFP to QSFP Adapter
 - 32 x 400G QSFP-DD
 - » 128 x 100G with parallel optics and cables
 - » 32 x 100G with QSFP28 optics



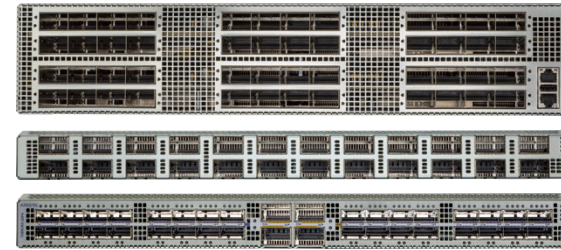
Consistent architecture with choice of industry standard interfaces

Arista R3-Series – 3rd Generation Switching and Routing

Consistent, Scalable and Programmable

7280R3 – Scalable and Power Efficient

- Up to 48 x 400G wire speed ports
- Non-blocking 19.2Tbps with 2.5M routes
- Flexible forwarding options in proven architecture



7500R3 – Up to 230Tbps

- 288 x 400G wire speed ports
- 24 port 400G and 36 port 100G line cards
- Backwards compatible with 7500R and 7500R2



7800R3 – Up to 460Tbps

- Up to 576 x 400G wire speed ports
- 36 port 400G and 48 port 100G line cards
- 4 and 8 slots with choice of 100G and 400G
- 16 slot chassis – 1st half 2020

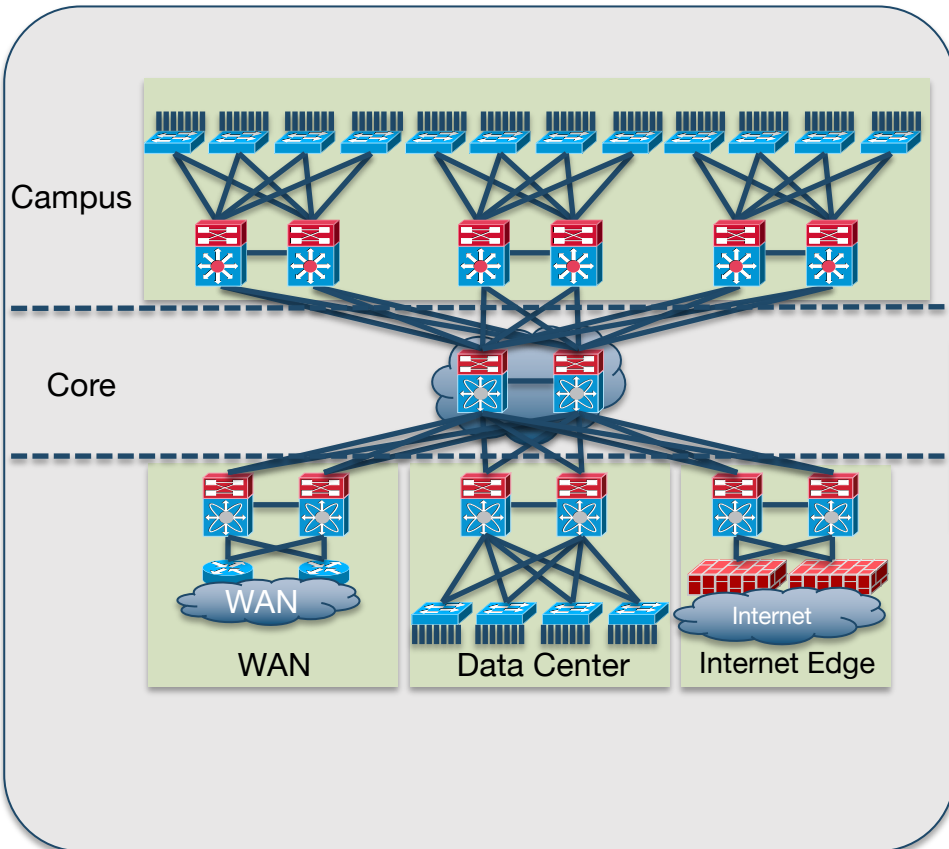


Next Gen Cloud Scale Universal Spine

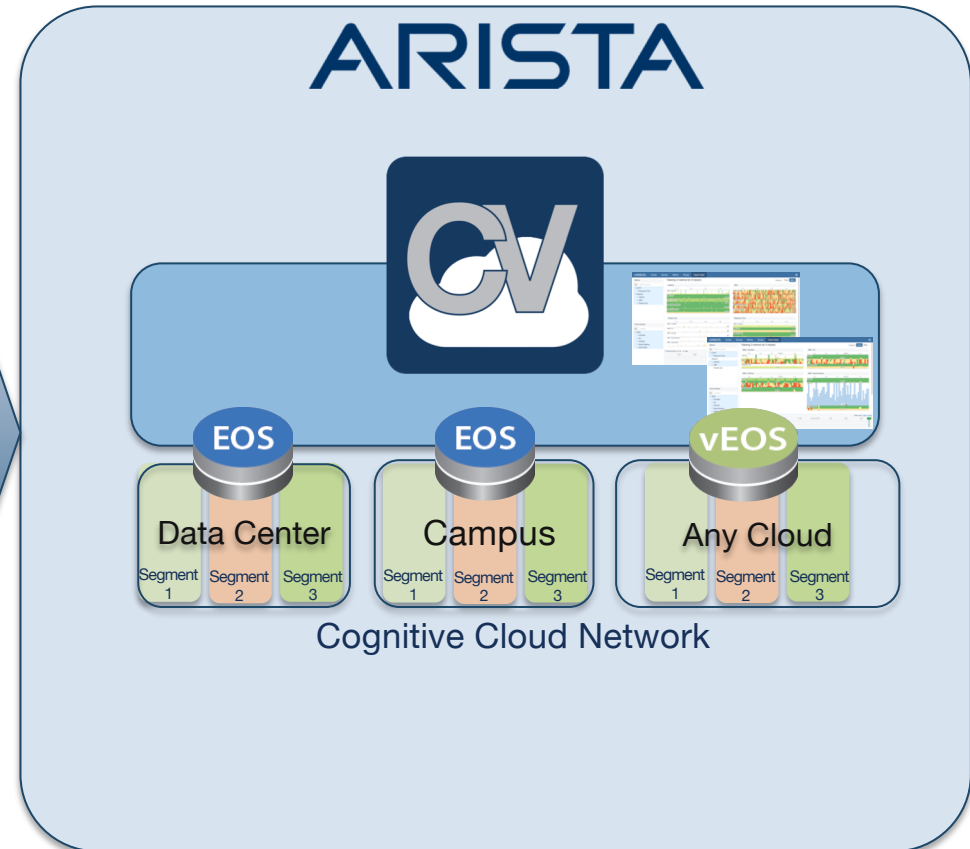
Arista Datacenter Principles Applied to Campus

Moving from PINs to PICs

Legacy: Silo Products
Places In the Network (PIN)



Modern: Unified Products
Places In the Cloud (PIC)



Cognitive Campus Platforms and Partners

Cognitive Splines™



7300X3
4 & 8 Slot
Modular System
Up to 256 100G ports



7050X3
Fixed System
Up to 32 100G ports

Simplify with Collapsed Spline
Architecture

Cognitive Edge



720XP PoE switches
24 & 48 Port mGig,
24 & 48 Port 1G



Arista C-250 - WiFi-6
8x8 MIMO
3rd Radio functionality for dedicated
WIPS, client emulation testing

Automation and Telemetry for
Operational Efficiency

Cognitive Management And OS



CloudVision foundation, Wired and
Wireless, across Provisioning, Telemetry,
and Orchestration



Hitless Patching
High Availability with Stateful Switchover
Flow Telemetry, NetDB Streaming
Dynamic Path Selection

Single Software Image Federated
across DC & Campus



PRESIDIO™

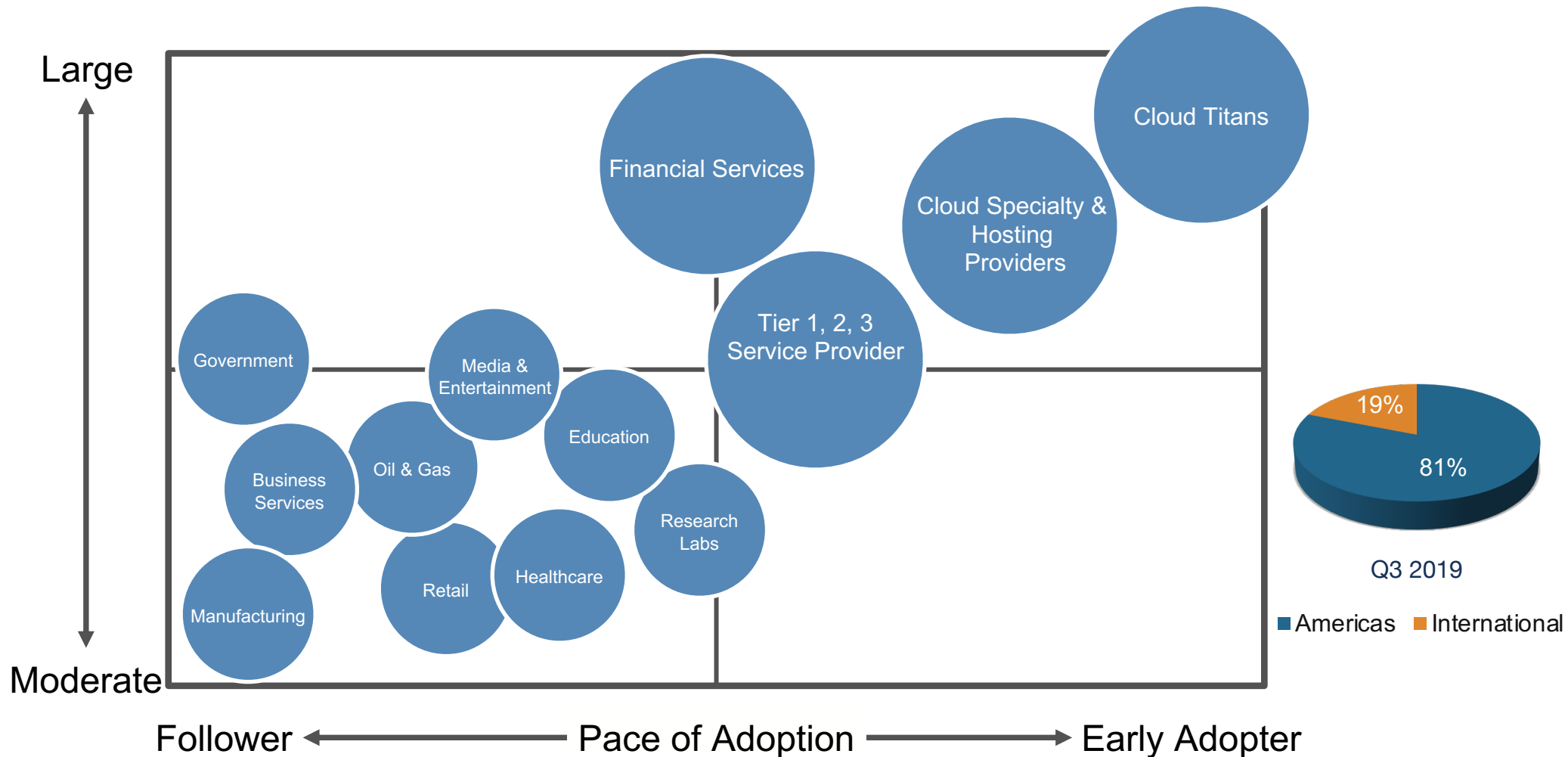


Tech
Mahindra

COMCAST
BUSINESS

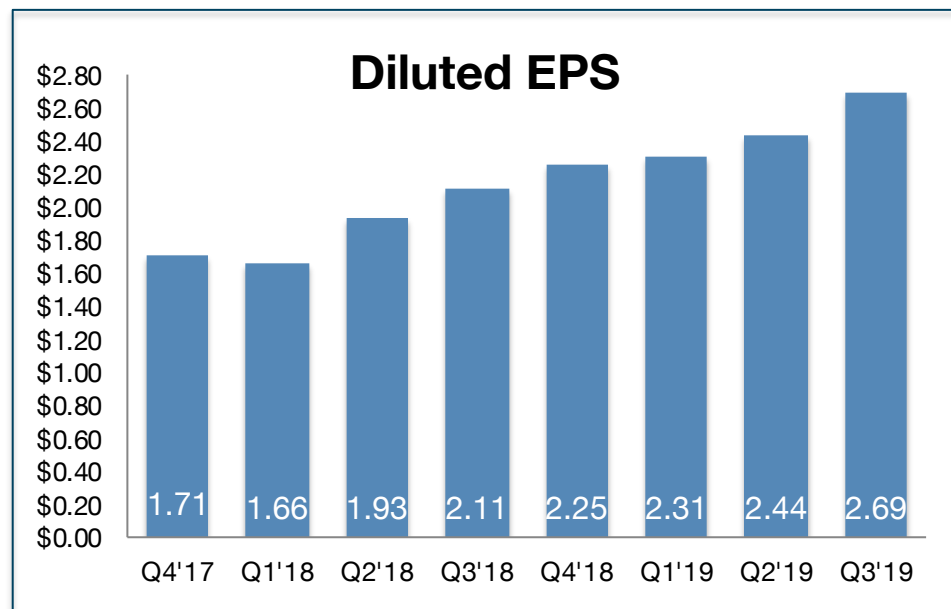
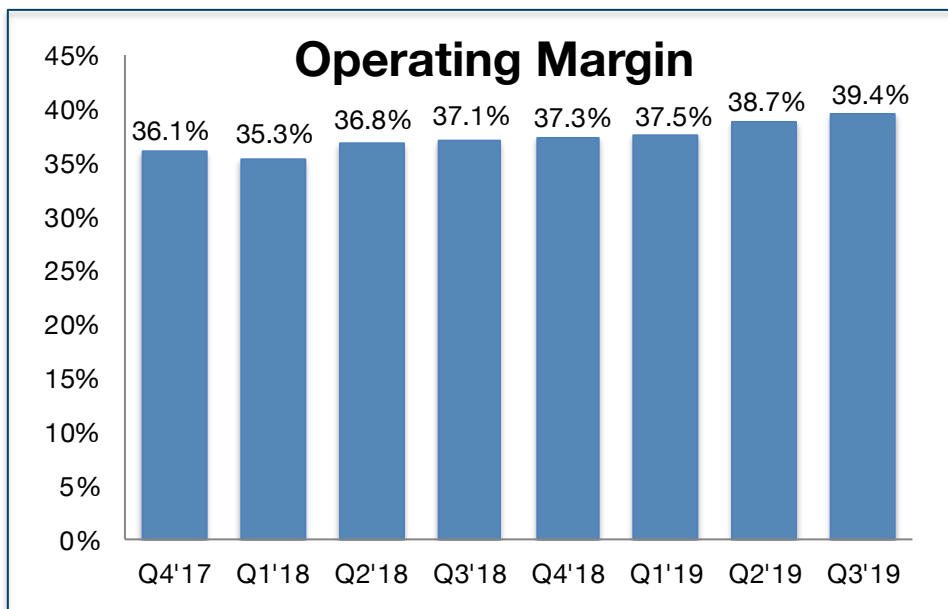
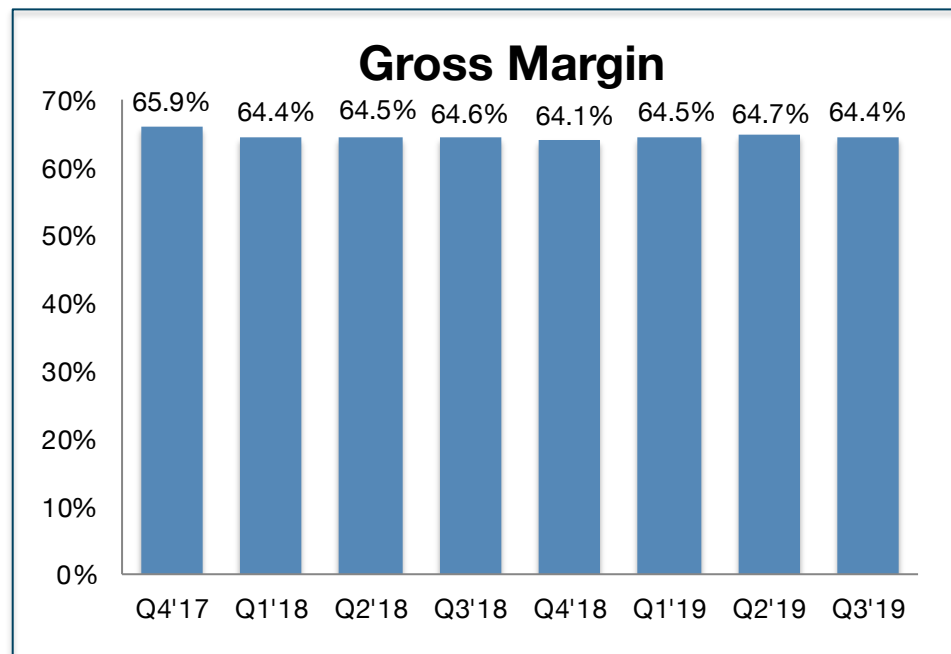
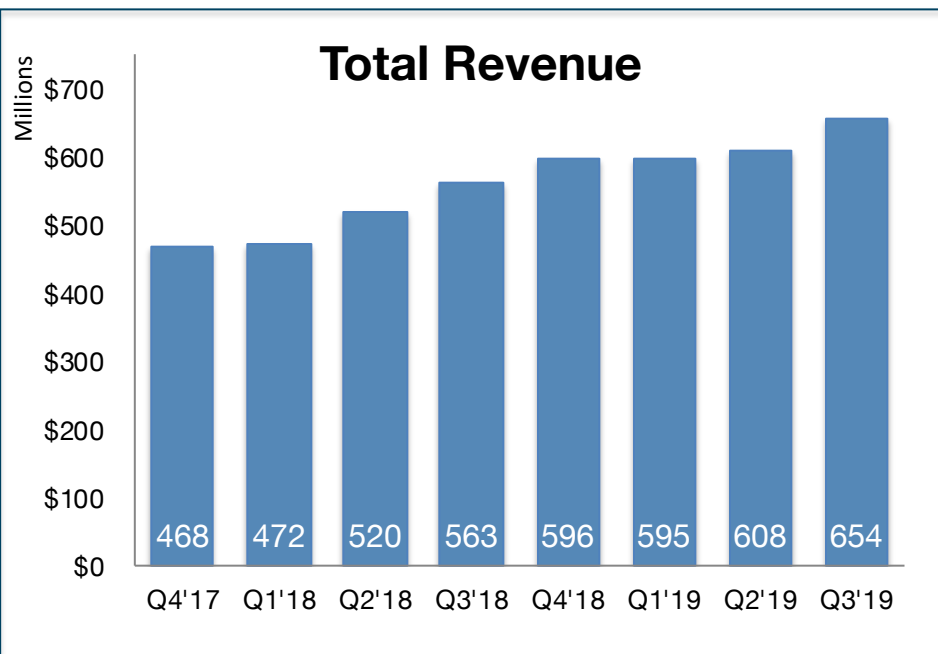


Major Verticals



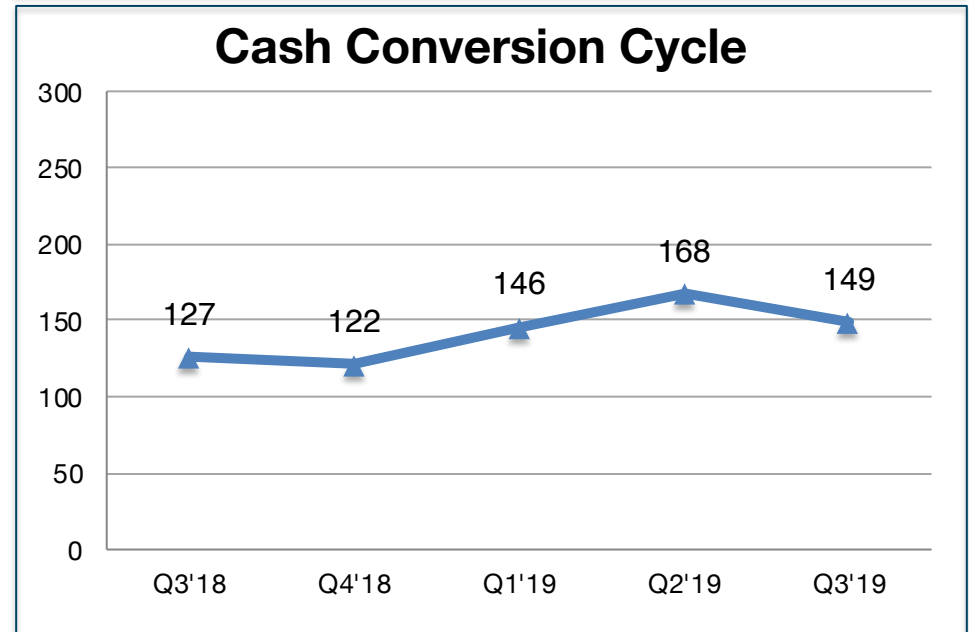
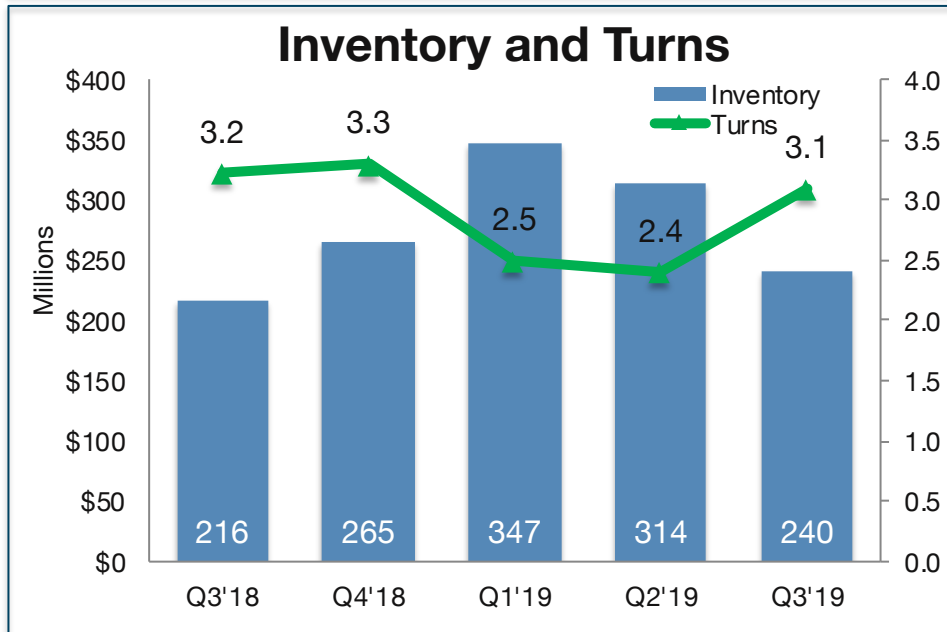
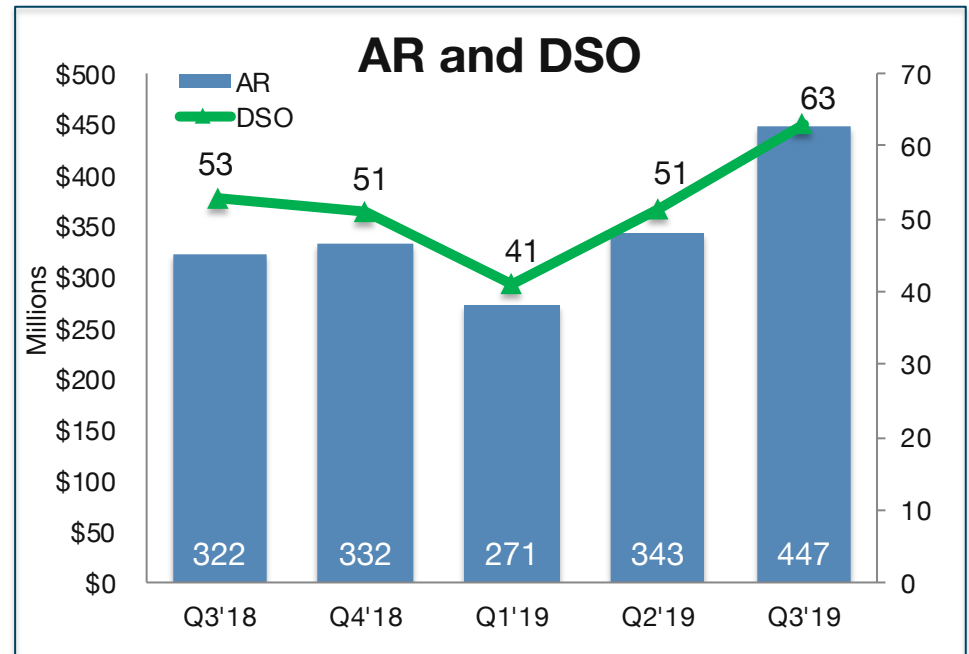
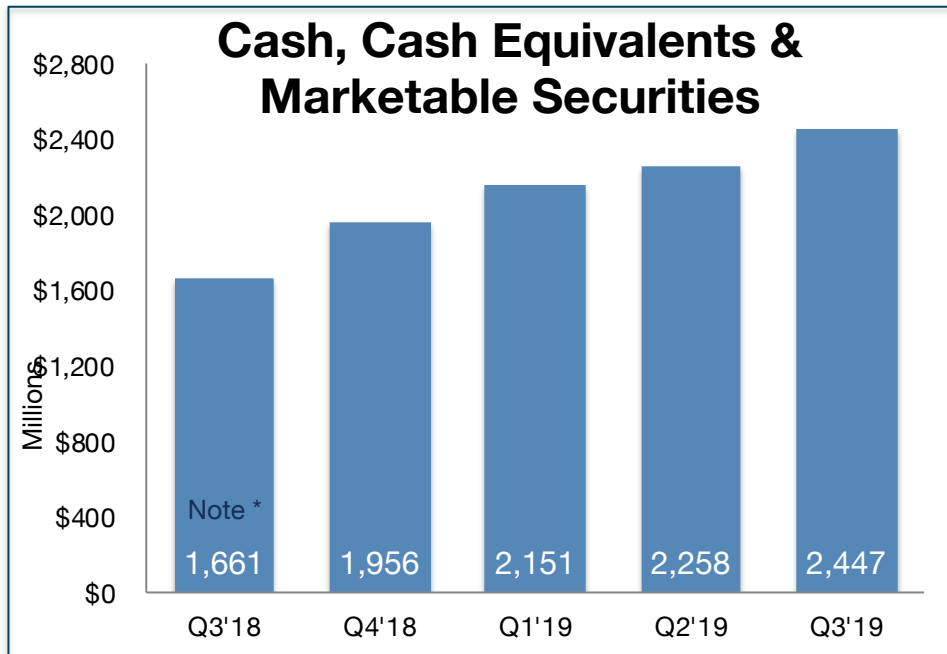
Note: Only selected verticals shown. Diagram not to scale.

Financial Highlights¹



¹ Amounts are non-GAAP except for Revenue; refer to reconciliation between non-GAAP and GAAP in the appendix.

Balance Sheet & Cash Conversion Cycle



Foundational Technology Underpins TAM Expansion

- We partner with customers and follow their journey
- EOS software quality drives repeat purchases
- EOS software organically enables additional use cases

Top 15	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Customers	2016	2017	2017	2017	2017	2018	2018	2018	2018	2019	2019	2019
Customer 1												
Customer 2												
Customer 3												
Customer 4												
Customer 5												
Customer 6												
Customer 7												
Customer 8												
Customer 9												
Customer 10												
Customer 11												
Customer 12												
Customer 13												
Customer 14												
Customer 15												

Note: Chart illustrates the top 15 customers based on the last 12 quarters of total product and service billings.

 Additional Purchases
 Did Not Purchase

Arista Highlights - Third Quarter 2019

Key Highlights

Q3-2019:

Recognized by Gartner as a Leader for 5th consecutive year in [2019 Magic Quadrant for Data Center Networking](#)

Arista Networks announces [CloudVision 2019](#), building upon Arista's cognitive management plane. The CloudVision 2019 release brings new capabilities and integrations, helping customers with operational cost reduction, risk management, and agility in network operations.

[Arista Networks announces](#) that it is providing network platforms for SK Telecom's 5G network. SK Telecom will be building a high capacity leaf-spine based data center network environment leveraging VXLAN/EVPN for virtualization, scalability and availability, providing customers with reliable high-speed network services.

Vocus Group, Australia's specialist fibre and network solutions provider [announced Arista Networks has been appointed the supplier of Vocus' Layer 2 and Layer 3 network equipment](#).

Financial Results (non-GAAP)¹

Q3-2019:

Q3'19 Revenue: \$654.4M
Q3'19 EPS: \$2.69

YOY Revenue Growth: 16%

Q3'19 Gross Margin: 64.4%

Q3'19 Operating Margin: 39.4%

Mission:

Deliver the best cloud networking solutions for private, public and hybrid cloud deployments

Appendix: GAAP to Non-GAAP Reconciliation

In 000's except per share data	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
GAAP gross profit	\$ 307,165	\$ 302,919	\$ 333,883	\$ 361,583	\$ 374,992	\$ 380,570	\$ 390,191	\$ 417,274
GAAP gross margin	65.7%	64.1%	64.2%	64.2%	62.9%	63.9%	64.1%	63.8%
Stock-based compensation expense	1,129	1,202	1,236	1,268	1,381	1,098	1,028	1,258
Intangible asset amortization	-	-	-	1,198	2,626	2,625	2,626	2,626
Acquisition-related costs	-	-	-	-	3,138	-	-	-
Non-GAAP gross profit	\$ 308,294	\$ 304,121	\$ 335,119	\$ 364,049	\$ 382,137	\$ 384,293	\$ 393,845	\$ 421,158
Non-GAAP gross margin	65.9%	64.4%	64.5%	64.6%	64.1%	64.5%	64.7%	64.4%
GAAP income (loss) from operations	\$ 139,388	\$ 138,738	\$ (239,803)	\$ 180,770	\$ 193,642	\$ 194,342	\$ 206,837	\$ 228,606
GAAP operating margin	29.8%	29.4%	-46.1%	32.1%	32.5%	32.6%	34.0%	34.9%
Stock-based compensation expense	20,436	20,851	22,478	23,254	24,619	24,291	24,297	26,257
Litigation expenses (benefit)	9,072	7,085	3,569	(100)	(3,988)	1,448	514	-
Legal settlement	-	-	405,000	-	-	-	-	-
Intangible asset amortization	-	-	-	1,610	3,500	3,499	3,499	3,293
Acquisition-related costs	-	-	-	3,432	4,313	-	-	-
Non-GAAP income from operations	\$ 168,896	\$ 166,674	\$ 191,244	\$ 208,966	\$ 222,086	\$ 223,580	\$ 235,147	\$ 258,156
Non-GAAP operating margin	36.1%	35.3%	36.8%	37.1%	37.3%	37.5%	38.7%	39.4%
GAAP diluted net income (loss) to common stockholders	\$ 103,758	\$ 144,456	\$ (155,187)	\$ 168,445	\$ 170,218	\$ 200,918	\$ 189,158	\$ 208,804
Net income (loss) attributable to participating securities	75	82	(82)	79	104	111	93	91
Stock-based compensation expense	20,436	20,851	22,478	23,254	24,619	24,291	24,297	26,257
Litigation expenses (benefit)	9,072	7,085	3,569	(100)	(3,988)	1,448	514	-
Loss (gain) on investments in privately held companies	-	-	9,100	-	4,700	(1,150)	-	(4,277)
Legal settlement	-	-	405,000	-	-	-	-	-
Intangible asset amortization	-	-	-	1,610	3,500	3,499	3,499	3,293
Acquisition-related costs	-	-	-	3,432	4,313	-	-	-
Acquisition-related tax expense	-	-	-	5,853	-	-	-	-
Altera stock-based compensation tax charge	-	-	-	-	-	-	9,781	-
Tax benefits on stock-based awards	(38,287)	(32,846)	(25,472)	(26,130)	(8,227)	(37,054)	(23,455)	(12,674)
Impact of the U.S. Tax Cuts and Jobs Act	51,812	-	-	-	(12,632)	-	-	-
Tax effect of non-GAAP exclusions	(9,536)	(5,505)	(103,686)	(5,149)	(429)	(4,333)	(5,324)	(4,391)
Non-GAAP net income	\$ 137,330	\$ 134,123	\$ 155,720	\$ 171,294	\$ 182,178	\$ 187,730	\$ 198,563	\$ 217,103
GAAP diluted income (loss) per share to common stockholders	\$ 1.29	\$ 1.79	\$ (2.08)	\$ 2.08	\$ 2.10	\$ 2.47	\$ 2.33	\$ 2.59
Non-GAAP adjustments to net income (loss) per share	0.42	(0.13)	4.01	0.03	0.15	(0.16)	0.11	0.10
Non-GAAP diluted income per share	\$ 1.71	\$ 1.66	\$ 1.93	\$ 2.11	\$ 2.25	\$ 2.31	\$ 2.44	\$ 2.69
GAAP weighted diluted shares	80,243	80,721	74,503	81,018	80,928	81,201	81,335	80,753
Non-GAAP weighted diluted shares	80,243	80,721	80,826	81,018	80,928	81,201	81,335	80,753
Summary of non-GAAP adjustments:								
Cost of revenue-product	\$ 573	\$ 556	\$ 562	\$ 1,770	\$ 6,366	\$ 3,202	\$ 3,144	\$ 3,207
Cost of revenue-service	556	646	674	696	779	521	510	677
Research and development	11,207	10,945	11,745	13,025	13,505	13,131	12,568	13,472
Sales and marketing	5,302	5,960	6,274	6,949	7,098	7,408	7,970	8,499
General and administrative	11,870	9,829	6,792	5,756	696	4,976	4,118	3,695
Legal settlement	-	-	405,000	-	-	-	-	-
Other expense (income)	-	-	9,100	-	4,700	(1,150)	-	(4,277)
Income tax (benefit) expense	3,989	(38,351)	(129,158)	(25,426)	(21,288)	(41,387)	(18,998)	(17,065)



Thank You

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