# Q2 FY 2026 Earnings

August 4, 2026

# Safe Harbor

**Forward-Looking Statements** - This presentation contains “forward-looking statements” regarding our future performance, including but not limited to guidance regarding revenue, non-GAAP gross margin, non-GAAP operating margin, diluted shares, non-GAAP tax rate for the third quarter of fiscal year 2026, outlook regarding revenue, AI fabrics revenue, campus revenue, non-GAAP gross margin, non-GAAP operating margin and non-GAAP tax rate for fiscal year 2026, and statements regarding Arista’s potential growth, growth readiness and revenue, statements regarding whether AI will drive growth, statements regarding whether future growth in shipments and service renewals will provide increased revenue recognition and benefits of Arista’s long-term planning for critical components and roadmaps for AI and cloud-scale networking. 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 but not limited to risks associated with: escalated or escalating U.S. tariffs and countermeasures and retaliatory actions taken by other countries; some of the key components in our products come from sole or limited sources of supply, which increases the risk of supply shortages, extended lead times or supply changes; key component constraints and inventory management; our reliance upon a predominant merchant silicon vendor; enhanced import/export restrictions, as well as countermeasures taken by affected countries; large purchases by a limited number of customers who represent a substantial portion of our revenue; adverse economic conditions, continuing uncertain economic conditions or reduced information technology and network infrastructure spending; volatility in our revenue and revenue growth rates; variability in our gross margins; variations in our results of operations; the rapid evolution of the networking market; failure to successfully carry out new products and service offerings and expand into adjacent markets; intense competition and industry consolidation; expansion of our international sales and operations; investments in or acquisitions of other businesses, products or technologies; industry cyclicality; fluctuations in currency exchange rates; failure to raise additional capital on terms satisfactory to us; our inability to attract new large customers or sell additional products and services to our existing customers; inability to grow sales of switching and routing platforms which generate most of our product revenue; inability to increase market awareness or acceptance of our new products and services; decreases in the sales prices of our products and services; long and unpredictable sales cycles; inability to offer high quality support and services offerings; declines in maintenance renewals and support contracts by customers; product quality problems, defects, errors or vulnerabilities in our products; failure to anticipate technological shifts; our dependence on third-party manufacturers to build our products; assertions by third parties of intellectual property rights infringement, misappropriation or other violations; failure or inability to protect or assert our intellectual property rights; cybersecurity incidents and breaches of our cybersecurity systems, or other security or privacy breaches or incidents; failure to detect cybersecurity incidents; failure to comply with government law and regulations; issues in the development and use of artificial intelligence, combined with an uncertain regulatory environment; future decisions to reduce or discontinue repurchasing our common stock pursuant to our stock repurchase programs; and other future events. Additional risks and uncertainties that could affect us can be found in our most recent filings with the Securities and Exchange Commission, including, but not limited to, our annual report on Form 10-K and quarterly reports on Form 10-Q. You can locate these reports through our website at https://investors.arista.com/ and on the SEC’s website at https://www.sec.gov/. All forward-looking statements in this presentation are based on information available to the company as of the date hereof, and we disclaim any obligation to publicly update or revise any forward-looking statement to reflect events that occur or circumstances that exist after the date on which they were made.

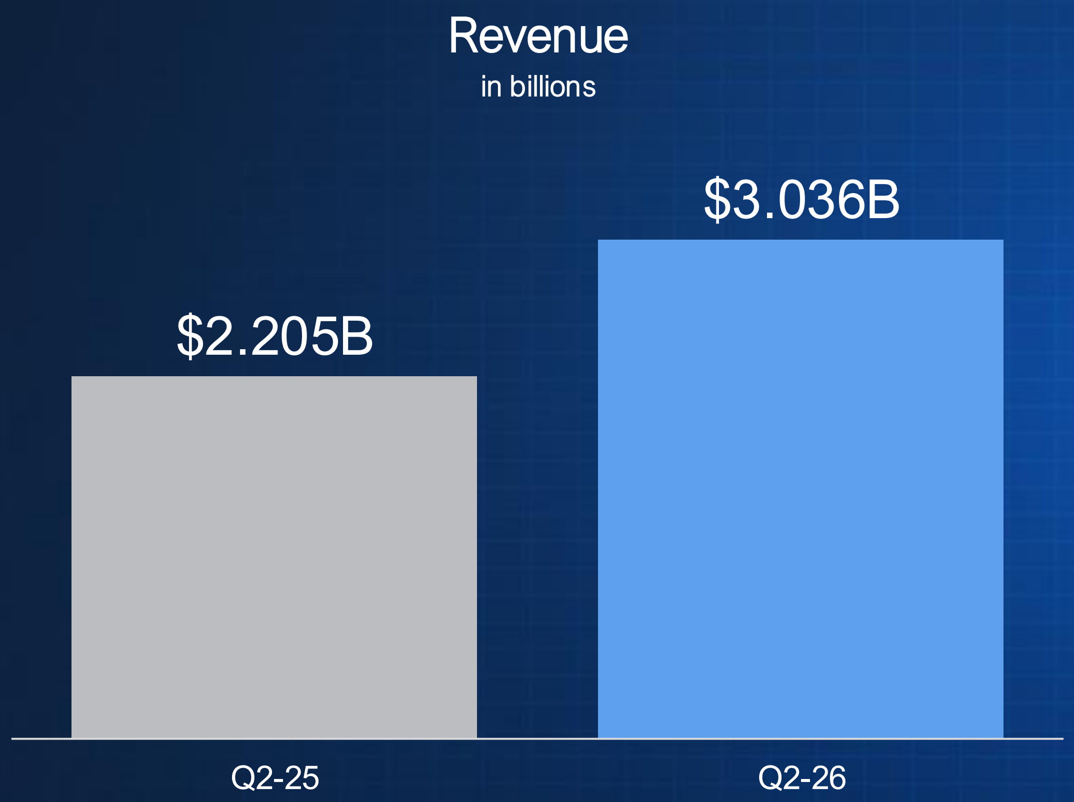
**Non-GAAP Financial Measures -** This presentation contains certain non-GAAP financial measures, including non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating expenses in percentage of revenue, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP income taxes and non-GAAP diluted net income per share. These non-GAAP financial measures exclude stock-based compensation expense, intangible asset amortization, gains/losses on strategic investments, and the income tax effect of these non-GAAP exclusions, including the recognition of direct excess tax benefits associated with stock-based awards. Effective the fourth quarter of fiscal year 2025, the Company updated its methodology for calculating the income tax effect of non-GAAP adjustments. Previously, the Company’s calculation excluded all tax benefits associated with stock-based awards, consisting of both direct excess tax benefits and other discrete indirect effects. Under the updated methodology, the Company continues to exclude direct excess tax benefits but no longer excludes the discrete indirect effects of such awards. Management believes this change better aligns with industry practice and provides a more meaningful view of the Company’s effective tax rate. All prior period non-GAAP results presented in this release have been recast to conform to the current period presentation.The Company uses these non-GAAP financial measures internally in analyzing its financial results and believes that these non-GAAP financial measures are useful to investors as an additional tool to evaluate ongoing operating results and trends. In addition, these measures are the primary indicators management uses as a basis for its planning and forecasting for future periods.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for the comparable GAAP financial measures. Non-GAAP financial measures are subject to limitations and should be read only in conjunction with the company's consolidated financial statements prepared in accordance with GAAP. Non-GAAP financial measures do not have any standardized meaning and are, therefore, unlikely to be comparable to similarly titled measures presented by other companies. A description of these non-GAAP financial measures and a reconciliation of the company’s non-GAAP financial measures to their most directly comparable GAAP measures have been provided in the financial statement tables included in this presentation, and investors are encouraged to review the reconciliation.

Delivered first quarter of over ~$3.0B in revenue, up +37.7% Y/Y.

**Above guidance revenue** driven by strong growth across the product sectors as **AI and enterprise demand** continues.



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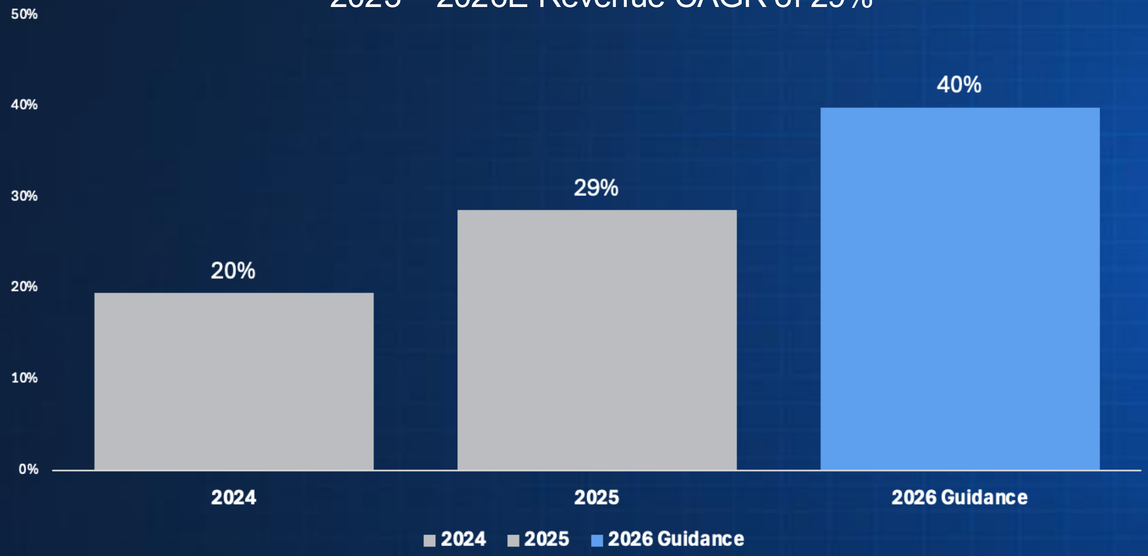
**Consistent Strong Revenue Growth:** Increasing Y/Y revenue growth in 2024, 2025 and 2026.

**Momentum at Scale:** Revenue growth has been accelerating powered by leadership in AI and cloud networking and increasing penetration of the enterprise market.

## Y/Y Revenue Growth %

2023 – 2026E Revenue CAGR of 29%



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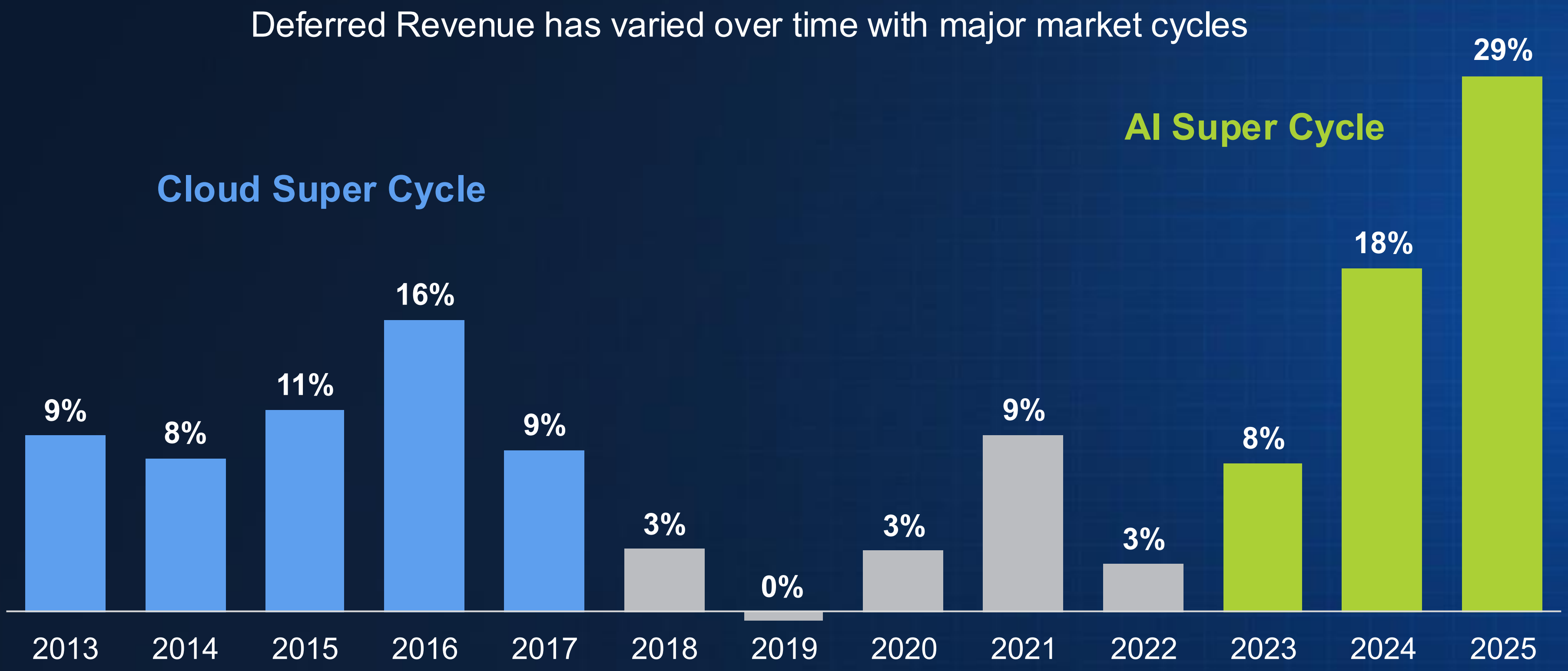
# Deferred Revenue Change as a % of Revenue

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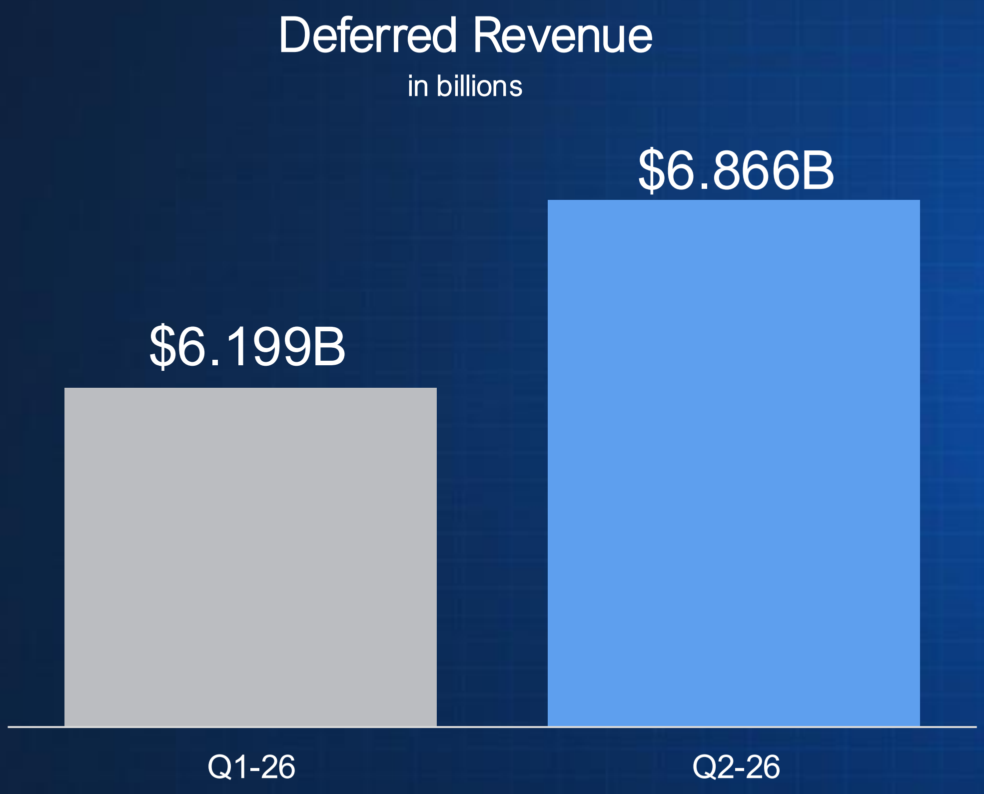
Future Revenue Visibility: Growth in product shipments and service renewals provide a strong foundation for future revenue recognition.

**Short Term Deferred Revenue** in Q2-26 was $5.1B and **Long Term Deferred Revenue** was $1.8B.



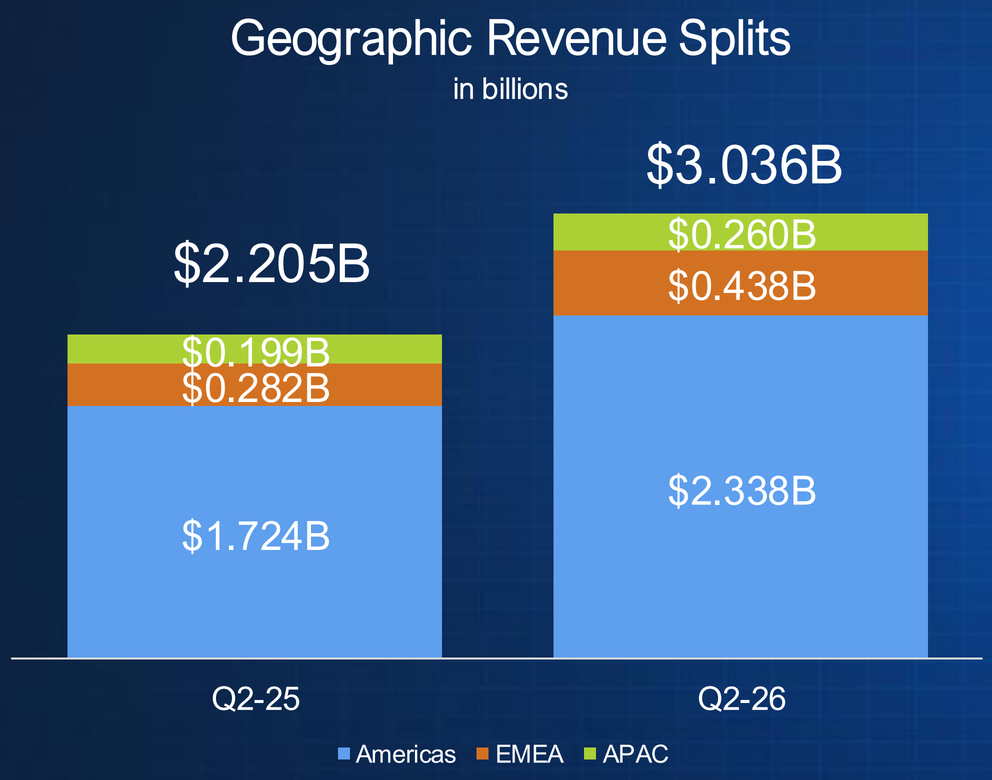
**Leaning In to Meet Strong Demand**: Purchase Commitments up to **$9.7B**, reflecting long-term capacity planning for critical components.

**Close Partnership with key suppliers** has allowed Arista to secure supply to meet increasing demand.

Solid growth across all geographies with **strong new customer acquisition**.

**EMEA revenue grew fastest with 55% Y/Y growth** followed by Americas at 36% Y/Y and APAC at 31%.

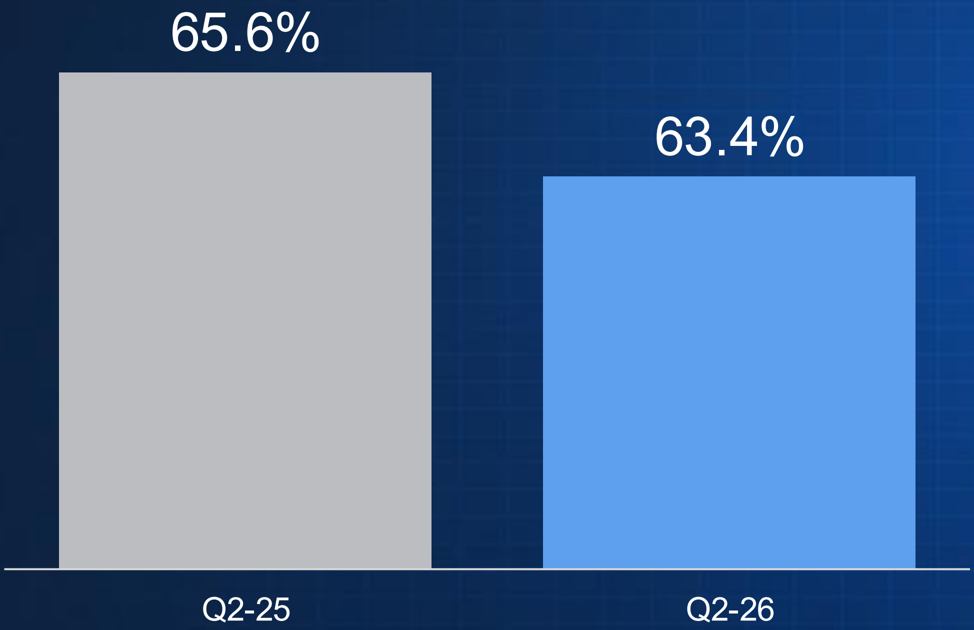


**Delivered above guidance** gross margin of 63.4%. Change versus the prior year was driven by customer mix.

The **main drivers of the beat** vs. Q2 guidance of 62%-63% were **tariff refunds and customer mix.**

## Gross Margin (Non-GAAP)[1]




[1]Refer to the reconciliation between non-GAAP and GAAP in the appendix. Q2-25 and Q2-26 GAAP gross margin was 65.2% and 62.9%, respectively.

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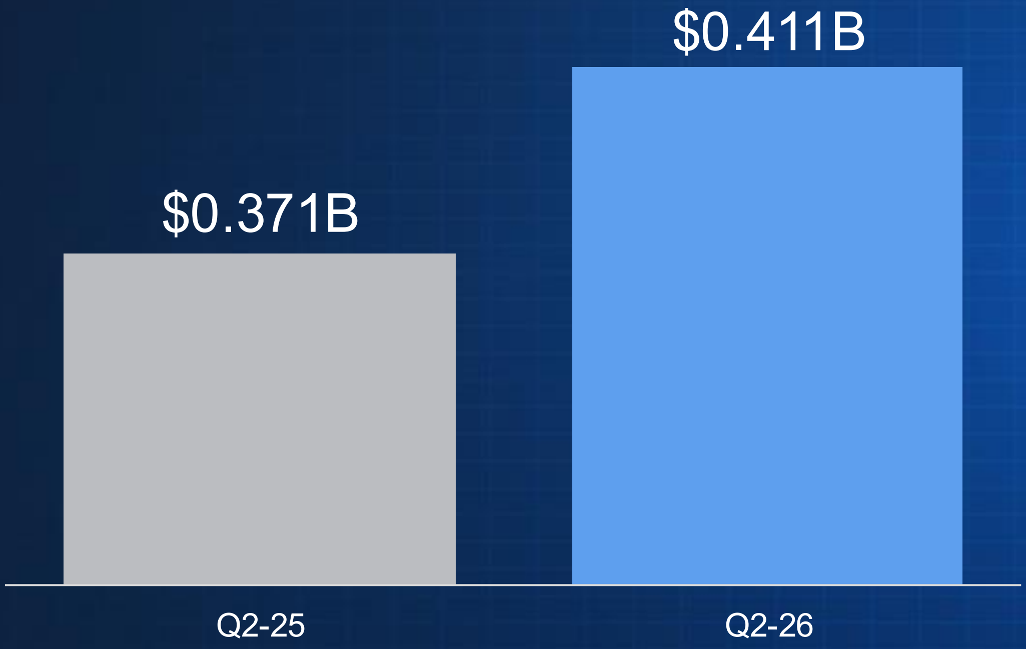
Non-GAAP Operating Expenses as a percentage of revenue[1] declined to **13.5%**, down from **16.8%** a year ago.

**Strategic R&D investment** to support innovation in liquid cooling, high-radix switching and AI-Optimized software offset by **continued strong operating discipline.**

## Operating Expense (Non-GAAP)[1]

in billions




[1]Refer to the reconciliation between non-GAAP and GAAP in the appendix. Q2-25 and Q2-26 GAAP Operating Expense was $0.452B and $0.532B, respectively. Q2-25 and Q2-26 GAAP Operating Expense as a percentage of revenue was 20.5% and 17.5%, respectively.

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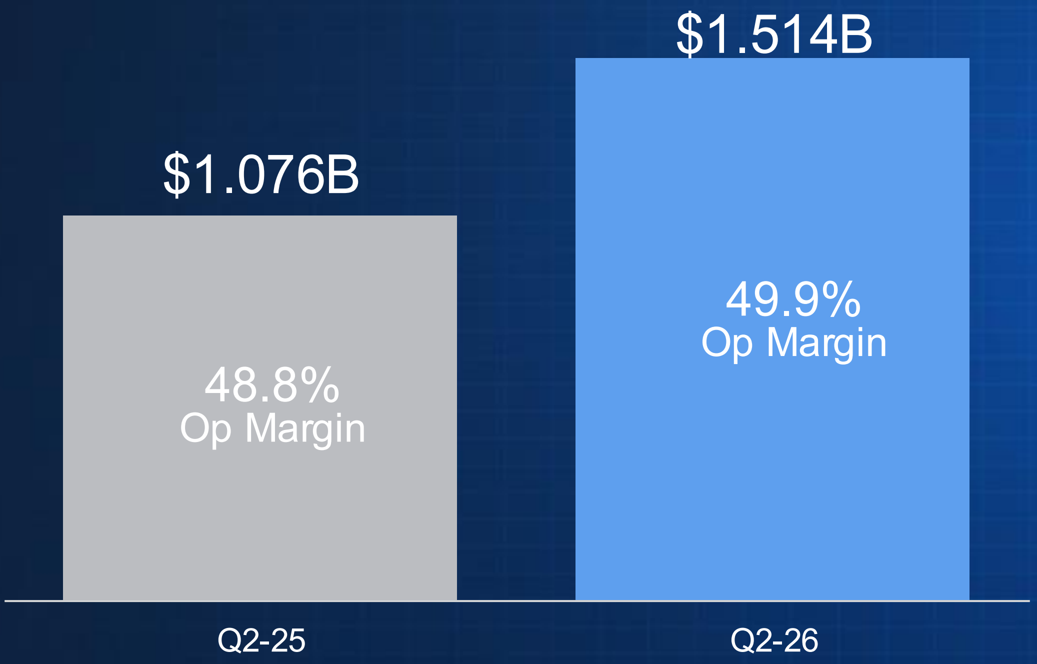
**Exceptional Leverage**: Non-GAAP Operating Income expanded to **$1.51B**, up **+40.7% Y/Y ahead of revenue growth**.

**Operating Margin improved Y/Y to 49.9%**[1] in Q2-26 from 48.8%[1] in Q2-25. **49.9%** also **represented a 2.1pp**[1] **improvement in margin Q/Q**.

## Operating Income (Non-GAAP)[1]

in billions



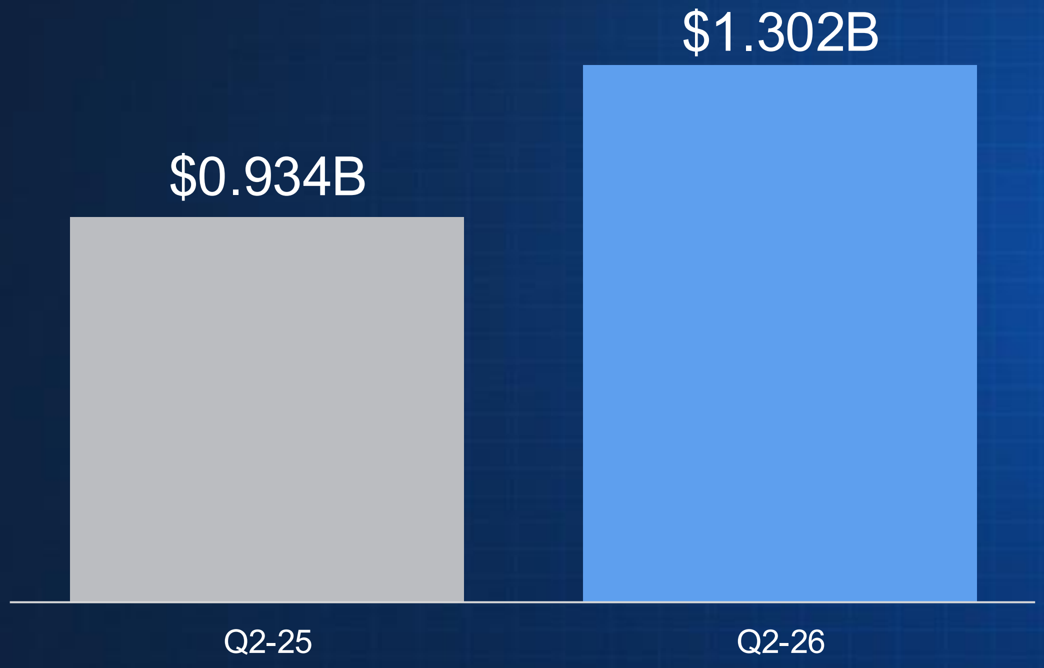

[1]Refer to the reconciliation between non-GAAP and GAAP in the appendix. GAAP Operating Income for Q2-25 and Q2-26 was $0.986B and $1.378B, respectively. GAAP Operating Margin for Q2-25, Q1-26 and Q2-26 was 44.7%, 42.7% and 45.4%, respectively.

**Earnings Velocity Accelerated:** Produced solid quarterly non-GAAP net income of **$1.30B**, a **+39.3% Y/Y increase** fueled by robust top-line execution.

## Net Income (Non-GAAP)[1]

in billions

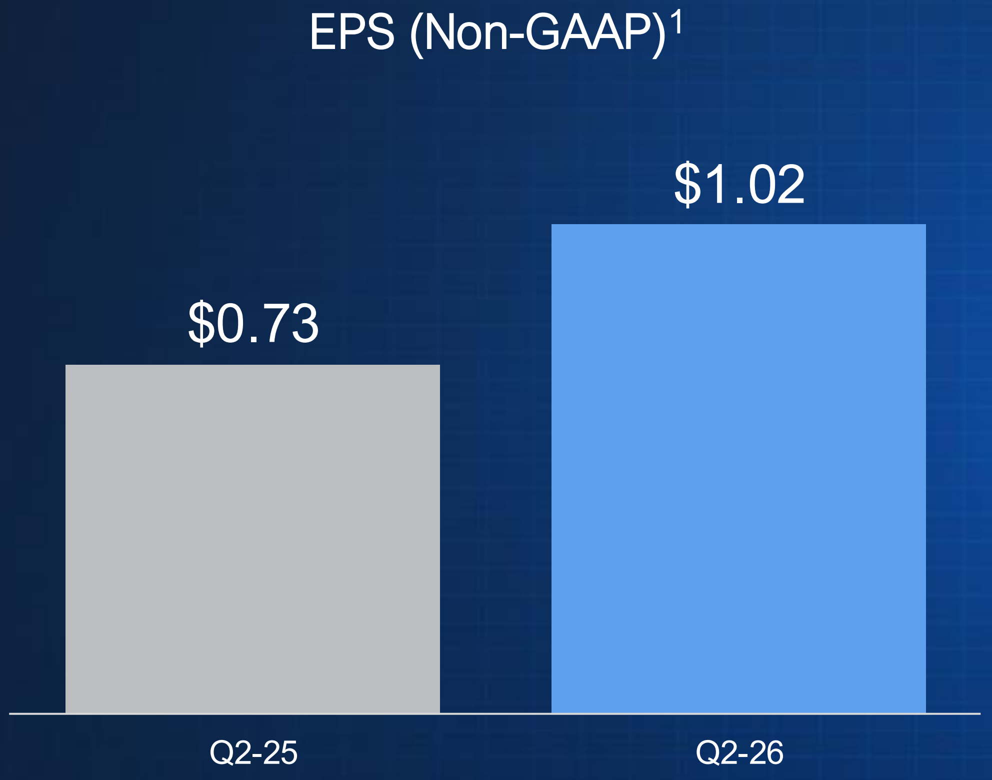



[1]Amounts are non-GAAP; refer to the reconciliation between non-GAAP and GAAP in the appendix. Prior period amounts have been updated to conform to the current period presentation to reflect the change in methodology for calculating non-GAAP income taxes associated with stock-based awards. The retrospective application of this change resulted in an increase to non-GAAP net income of $10.7 million for Q2-25. GAAP Net Income for Q2-25 and Q2-26 was $0.889B and $1.213B, respectively.

**Shareholder Value Creation:** Delivered diluted non-GAAP EPS of **$1.02**, a **+39.7% Y/Y increase** supported by exceptional operational performance.

**EPS of $1.02** came in **significantly better** than $0.88 guidance.



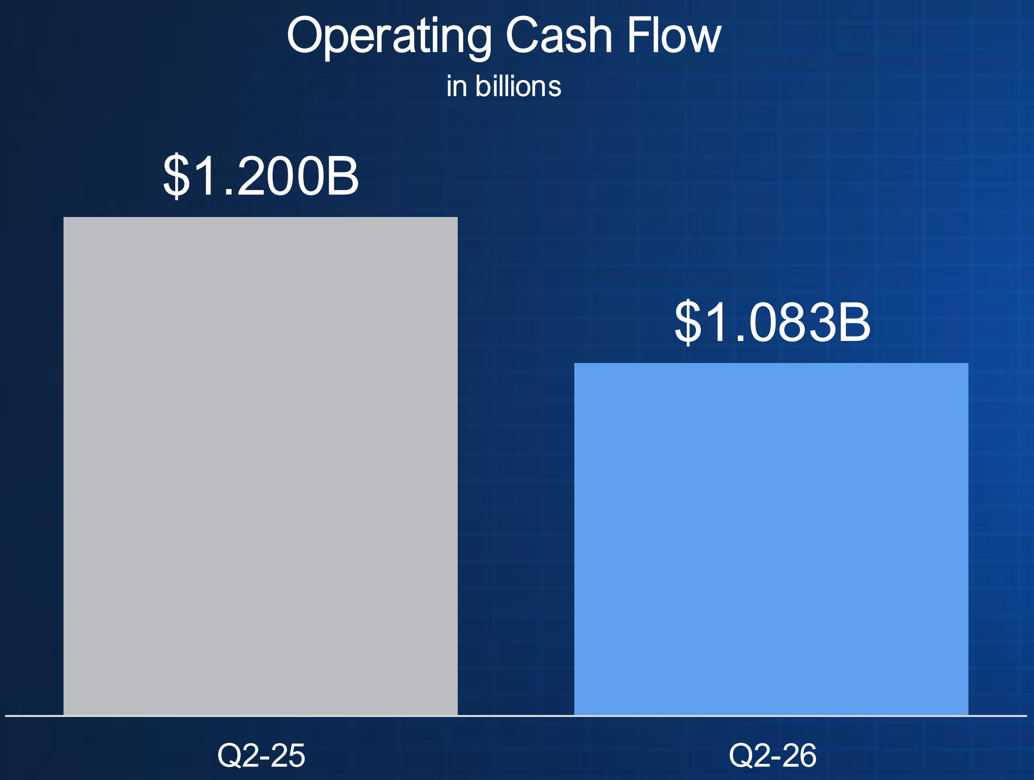

[1]Refer to the reconciliation between non-GAAP and GAAP in the appendix. Prior period amount has been updated to conform to the current period presentation to reflect the change in methodology for calculating non-GAAP income taxes associated with stock-based awards. The impact of this change on non-GAAP diluted net income per share was nil for Q2-25. GAAP EPS for Q2-25 and Q2-26 was $0.70 and $0.95, respectively.

**Robust Liquidity**: Generated **$1.1B** in operating cash flow this quarter, driven by strong net income and growth in deferred revenue balances.

**Q2-25 included a significant AI customer contract** within deferred revenue that did not repeat in Q2-26.

**Healthy Conversion**: Consistent cash generation provides the flexibility to fund R&D and strategic capital allocation.



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# Guidance

## Third Quarter 2026

| | |
|---|---|
| **Revenue** | **~$3.3B** |
| **Gross Margin (non-GAAP)[1]** | **~63%** |
| **Operating Margin (non-GAAP)[1]** | **48%-49%** |
| **EPS (non-GAAP)[1]** | **$1.06-$1.08** |
| **Diluted Shares** | **1.279B** |
| **Non-GAAP Tax Rate[1]** | **21.5%** |

[1]Guidance for non-GAAP financial measures excludes certain items, including stock-based compensation expense, intangible asset amortization, tax benefits on stock-based awards, the income tax effect on non-GAAP exclusions, and potential non-recurring charges or benefits. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort because these exclusions can be uncertain or difficult to predict, including stock-based compensation expense and tax benefits on stock-based awards, which is impacted by the timing of employee stock transactions, and the future fair market value of the company’s common stock. The actual amount of these exclusions will have a significant impact on the company's GAAP gross margin, operating margin, and earnings per share.

 

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# Guidance and Growth Outlook

## *2026 Guidance*

| | |
|---|---|
| Revenue | $12.6B +40% Y/Y |
| Gross Margin (non-GAAP)[1] | 62% - 64% |
| Operating Margin (non-GAAP)[1] | 48% - 49% |
| AI Fabrics Revenue Goal | $3.50B+ |
| Campus Revenue Goal | $1.25B+ |
| Non-GAAP Tax Rate[1] | ~21.5% |

## *Growth Outlook*

| | |
|---|---|
| Revenue Growth FY23-FY26 | ~29% CAGR |

[1]Guidance for non-GAAP financial measures excludes certain items, including stock-based compensation expense, intangible asset amortization, tax benefits on stock-based awards, the income tax effect on non-GAAP exclusions, and potential non-recurring charges or benefits. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort because these exclusions can be uncertain or difficult to predict, including stock-based compensation expense and tax benefits on stock-based awards, which is impacted by the timing of employee stock transactions, and the future fair market value of the company's common stock. The actual amount of these exclusions will have a significant impact on the company's GAAP gross margin and operating margin.

 

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# Appendix: GAAP to Non-GAAP Reconciliation

| In millions except per share data | Q2'25 | Q1'26 | Q2'26 |
|---|---|---|---|
| GAAP gross profit | $ 1,438.6 | $ 1,676.8 | $ 1,910.3 |
| GAAP gross margin | *65.2%* | *61.9%* | *62.9%* |
| Stock-based compensation expense | 5.8 | 7.0 | 7.4 |
| Intangible asset amortization | 2.6 | 7.0 | 7.0 |
| Non-GAAP gross profit | $ 1,447.0 | $ 1,690.8 | $ 1,924.7 |
| Non-GAAP gross margin | *65.6%* | *62.4%* | *63.4%* |
| | | | |
| GAAP operating expenses | $ 452.4 | $ 519.0 | $ 532.3 |
| GAAP Operating expenses in % of revenue | *20.5%* | *19.2%* | *17.5%* |
| Stock-based compensation expense | (79.4) | (113.9) | (113.0) |
| Intangible asset amortization | (2.4) | (8.3) | (8.3) |
| Non-GAAP operating expenses | $ 370.6 | $ 396.8 | $ 411.0 |
| Non-GAAP Operating expenses in % of revenue | *16.8%* | *14.6%* | *13.5%* |
| | | | |
| GAAP income (loss) from operations | $ 986.2 | $ 1,157.8 | $ 1,378.0 |
| GAAP operating margin | *44.7%* | *42.7%* | *45.4%* |
| Stock-based compensation expense | 85.2 | 120.9 | 120.4 |
| Intangible asset amortization | 5.0 | 15.3 | 15.3 |
| Non-GAAP income from operations | $ 1,076.4 | $ 1,294.0 | $ 1,513.7 |
| Non-GAAP operating margin | *48.8%* | *47.8%* | *49.9%* |
| | | | |
| GAAP net income | $ 888.8 | $ 1,022.9 | $ 1,212.9 |
| Stock-based compensation expense | 85.2 | 120.9 | 120.4 |
| (Gain)/loss on strategic investments | (5.4) | (2.8) | (6.0) |
| Intangible asset amortization | 5.0 | 15.3 | 15.3 |
| Tax benefits on stock-based awards[1] | (32.1) | (34.4) | (30.9) |
| Tax effect of non-GAAP exclusions[1] | (7.3) | (13.7) | (10.0) |
| Non-GAAP net income[1] | $ 934.2 | $ 1,108.2 | $ 1,301.7 |
| | | | |
| GAAP diluted net income per share | $ 0.70 | $ 0.80 | $ 0.95 |
| Non-GAAP adjustments[1] | 0.03 | 0.07 | 0.07 |
| Non-GAAP diluted income per share[1] | $ 0.73 | $ 0.87 | $ 1.02 |
| | | | |
| GAAP and non-GAAP diluted shares | 1,271.2 | 1,273.8 | 1,276.0 |

[1] Prior period amounts have been updated to conform to the current period presentation to reflect the change in methodology for calculating non-GAAP income taxes associated with stock-based awards. The retrospective application of this change resulted in an increase to non-GAAP net income of $10.7 million for Q2-25. The impact of this change on non-GAAP diluted net income per share was nil for Q2-25.

 