

Arista Networks, Inc. Reports First Quarter 2015 Financial Results

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Cloud Networking Adoption Drives Record Revenue and non-GAAP Operating Income

SANTA CLARA, Calif. -- May 14, 2015 -- Arista Networks, Inc. (NYSE: ANET), an industry leader in software-driven cloud networking solutions for large data center and computing environments, today announced financial results for its first quarter ended March 31, 2015.

First Quarter Financial Highlights

- Revenue of \$179.0 million, an increase of 52.8% compared to the first quarter of 2014, and an increase of 3.2% from the fourth quarter of 2014.
- Non-GAAP gross margin of 66.1%, compared to Non-GAAP gross margin of 69.6% in the first quarter of 2014 and 67.4% in the fourth quarter of 2014.
- GAAP gross margin of 65.8%, compared to GAAP gross margin of 69.4% in the first quarter of 2014 and 67.1% in the fourth quarter of 2014.
- Non-GAAP net income of \$35.5 million, or \$0.50 per diluted share, compared to non-GAAP net income of \$16.4 million, or \$0.25 per diluted share, in the first quarter of 2014.
- GAAP net income of \$24.5 million, or \$0.34 per diluted share, compared to GAAP net income of \$12.3 million, or \$0.20 per diluted share, in the first quarter of 2014.
- Operating cash flow of \$20.8 million, compared to \$17.7 million of operating cash flow in the first quarter of 2014.

"I am pleased with our Q1 2015 results, as we made strides in our top four verticals," stated Jayshree Ullal, Arista President and CEO. "Our customer momentum in cloud networking, combined with our profitable growth and disruptive product innovations positions us well for the year."

Commenting on the company's financial results, Andy Bechtolsheim, Arista's Chairman and Interim CFO, said, "We continued to execute strongly in Q1 2015 and achieved record revenue, a record non-GAAP operating margin of 28.6%, and doubled our non-GAAP earnings per share year-over-year."

Company Highlights

- Arista Networks has been recognized as a leader in Gartner's 2015 Magic Quadrant for Data Center Networking.
- Announced Arista EOS as a Subscription (EaaS) service, a disaggregated offering that aligns to new cloud business models.
- Converged solutions with Supermicro to deliver converged compute networking for cloud scale data centers for EVO.
- Technology alliances with Infinera to deliver high performance metro-area cloud networks, and Lawo for IP-based broadcast Infrastructure.
- Certification from ServiceNow of the Arista cloud networking portfolio, for comprehensive operations and management of the network.

In addition, President and CEO Jayshree Ullal will be speaking with the financial community at the William Blair Growth Stock Conference in Chicago, Illinois on Wednesday, June 10, 2015 at 8:00am CT. A live audio webcast of the event will be accessible from the "Investors" section of Arista Networks website at investors.arista.com.

Financial Outlook

For the second quarter of 2015, we expect:

- Revenue between \$183 and \$191 million.
- Non-GAAP gross margin in the range of 63% to 65% and
- Non-GAAP operating margin in the range of 23% to 25%.

Guidance for non-GAAP financial measures excludes legal expenses associated with the OptumSoft and Cisco litigation, stock-based compensation and other non-recurring expenses. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis.

Prepared Materials and Conference Call Information

Arista executives will discuss first quarter 2015 financial results on a conference call at 1:30 p.m. Pacific time today. To listen to the call via telephone, dial 1-877-201-0168 in the United States or 1-647-788-4901 from outside the US. The Conference ID is 21647872.

The financial results conference call will also be available via live webcast on our investor relations website at investors.arista.com. Shortly after the conclusion of the conference call, a replay of the audio webcast will be available on Arista's Investor Relations website.

Forward-Looking Statements

This press release contains "forward-looking statements" regarding our future performance, including statements in the section entitled "Financial Outlook," such as estimates regarding revenue, non-GAAP gross margin and non-GAAP operating margin for the second quarter of FY 2015 and statements regarding being well positioned for future periods. Forward-looking statements are subject to a number of uncertainties and risks that could cause actual results to differ materially from those anticipated in the forward-looking statements including: Arista Networks' limited operating history; risks associated with Arista Networks' rapid growth; Arista Networks' customer concentration; requests for more favorable terms and conditions from our large end customers; declines in the sales prices of our products and services; changes in customer order patterns or customer mix; increased competition in our products and service markets, including the data center market; dependence on the introduction and market acceptance of new product offerings and standards; rapid technological and market change; the dispute with Cisco Systems, Inc. and OptumSoft, Inc.; the evolution of the cloud networking market and the adoption by end customers of Arista Networks' cloud networking solutions; and general market, political, economic and business conditions. Additional risks and uncertainties that could affect Arista Networks can be found in Arista's Annual Report on Form 10-K that was filed with the SEC on March 12, 2015 for the year ended December 31, 2014, 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. All forward-looking statements in this press release are based on information available to the company as of the date hereof and Arista Networks disclaims 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

The company reports non-GAAP results for gross margins, net income and net income per share in addition to, and not as a substitute for, financial measures calculated in accordance with GAAP. The company uses these non-GAAP financial measures internally in analyzing its financial results and believes that the use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing operating results and trends.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with the company's consolidated financial statements prepared in accordance with GAAP. A reconciliation of the company's non-GAAP financial measures to their most

directly comparable GAAP measures has been provided in the financial statement tables included in this press release, and investors are encouraged to review the reconciliation. Arista Networks defines non-GAAP gross margins as total gross profit, excluding stock-based compensation expenses, divided by total revenue.

Arista Networks defines non-GAAP net income as net income, excluding stock based compensation expense, expenses associated with the OptumSoft and Cisco litigation and the related income tax effect of these exclusions. Arista Networks defines non-GAAP net income per share as non-GAAP net income divided by the diluted weighted average shares outstanding on a pro forma basis. In order to evaluate per share information on a comparative basis, the company believes it is meaningful to provide a non-GAAP financial measure that gives pro forma effect to the conversion of the preferred shares and notes payable into common shares and the issuance of common shares in connection with the company's initial public offering as if each happened at the beginning of each period presented.

Gartner, Magic Quadrant for Data Center Networking, Mark Fabbi | Andrew Lerner, 11 May 2015 | Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

About Arista Networks

Arista Networks was founded to deliver software-driven cloud networking solutions for large data center and computing environments. Arista's award-winning 10/40/100 GbE switches redefine scalability, robustness, and price-performance, with over 3,000 customers and more than three million cloud networking ports deployed worldwide. At the core of Arista's platform is EOS, an advanced network operating system. Arista Networks products are available worldwide through distribution partners, systems integrators and resellers.

ARISTA, EOS and Spline are among the registered and unregistered trademarks of Arista Networks, Inc. in jurisdictions around the world. Other company names or product names may be trademarks of their respective owners.

Additional information and resources can be found at <https://www.arista.com>

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