ARISTA

Arista in Q2 2018

ARISTA

Safe Harbor

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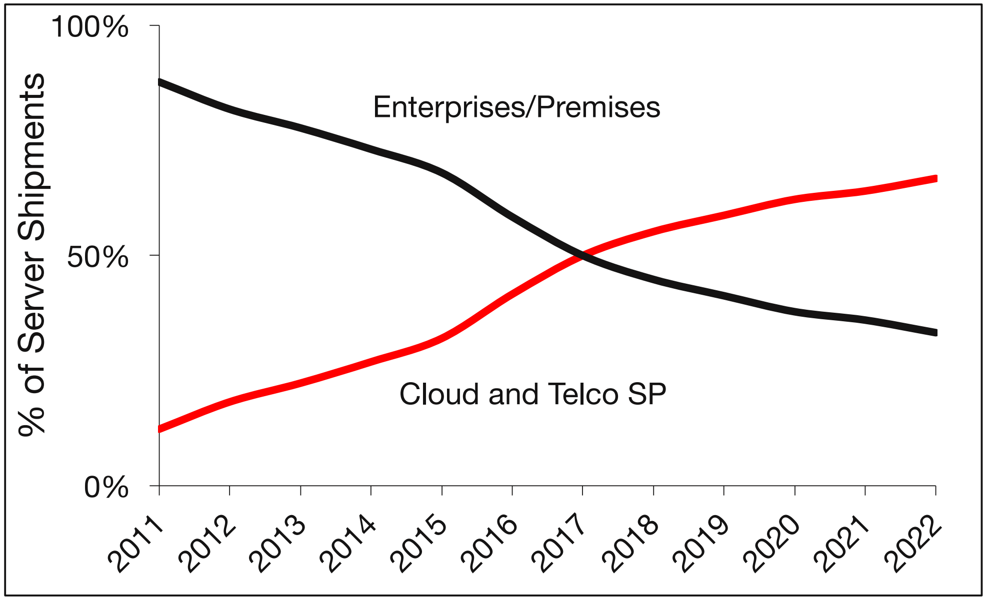
Arista Software Driven Cloud Networking

Legacy Networking	Cloud Networking
Doesn't Scale	Scales to Millions of Users
Susceptible to Outage	Resilient
Expensive	10x-40x more cost effective
Minimal API Usage	Programmatic API Usage
Manual Management	Automated Management
Proprietary Lock-in	Open

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

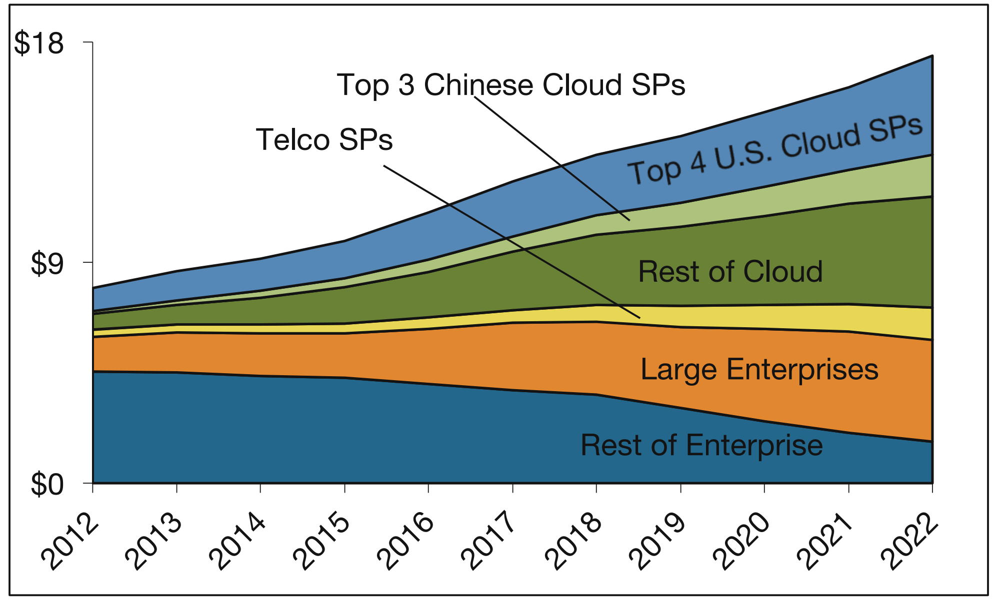
Arista's Cloud Networking Opportunity

Server Shipments



Source: Dell'Oro Group Server Research

Data Center Ethernet Switch Revenue



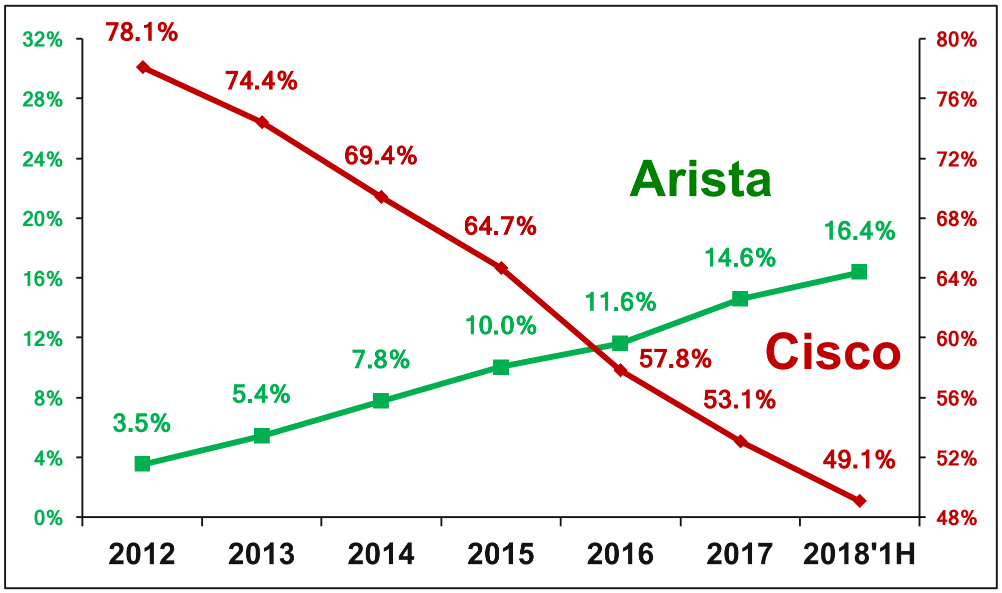
Source: Dell'Oro Ethernet Switch Data Center 5 Year Forecast Jan'18

- 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

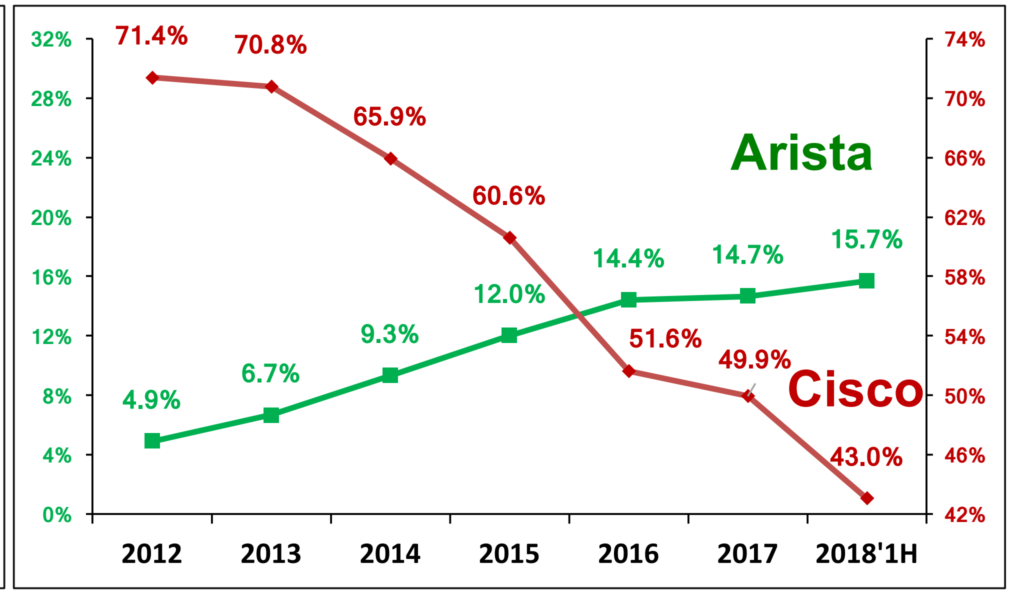
Arista Market Share vs Cisco

High Speed Data Center Switching Market

Share in Dollars



Share in Ports

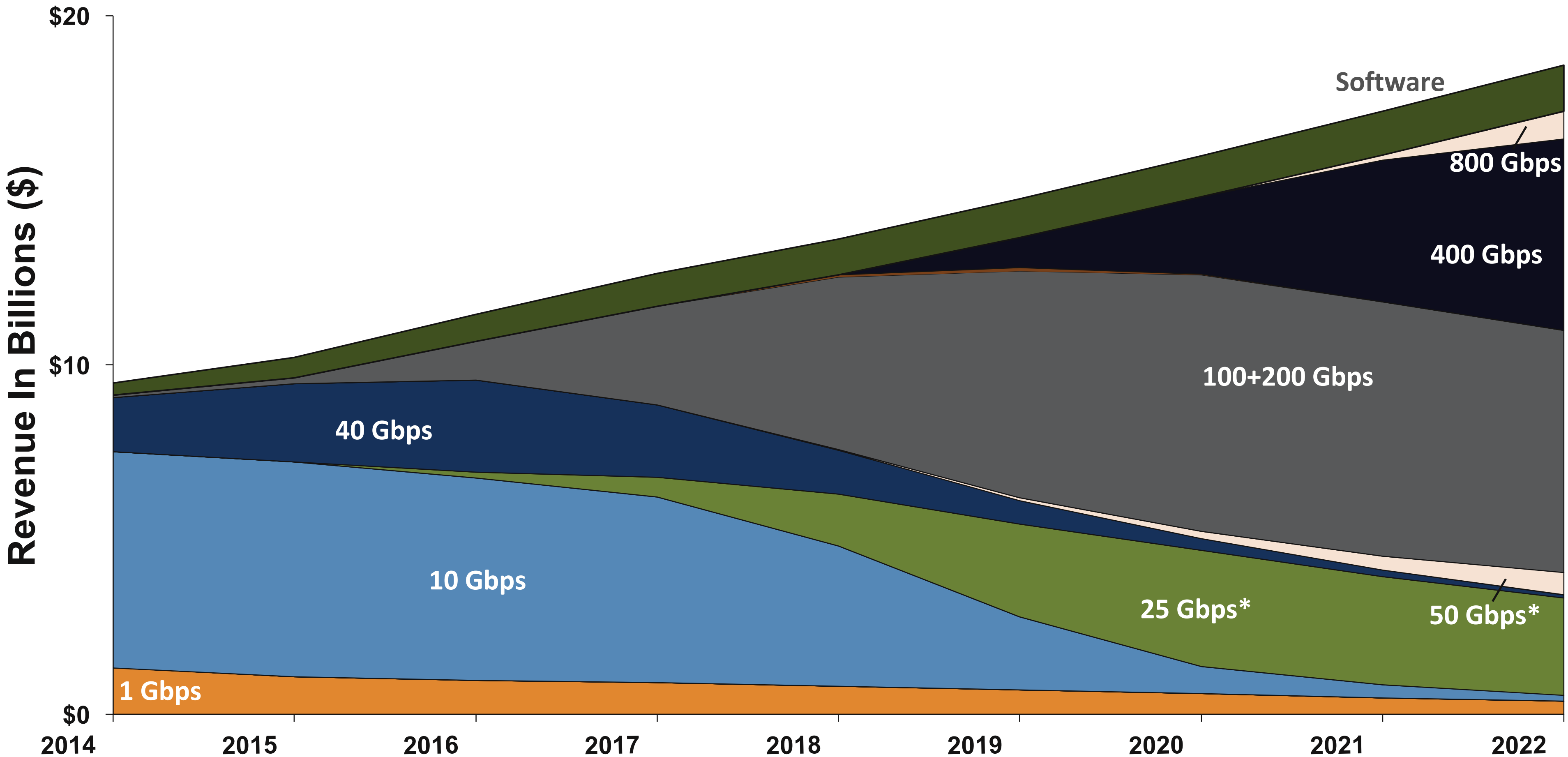


Source: Crehan Research Datacenter Switch Market Share Report Q2'2018

Note: 10GbE and Higher - Excludes blade switches

Market Potential by Speed

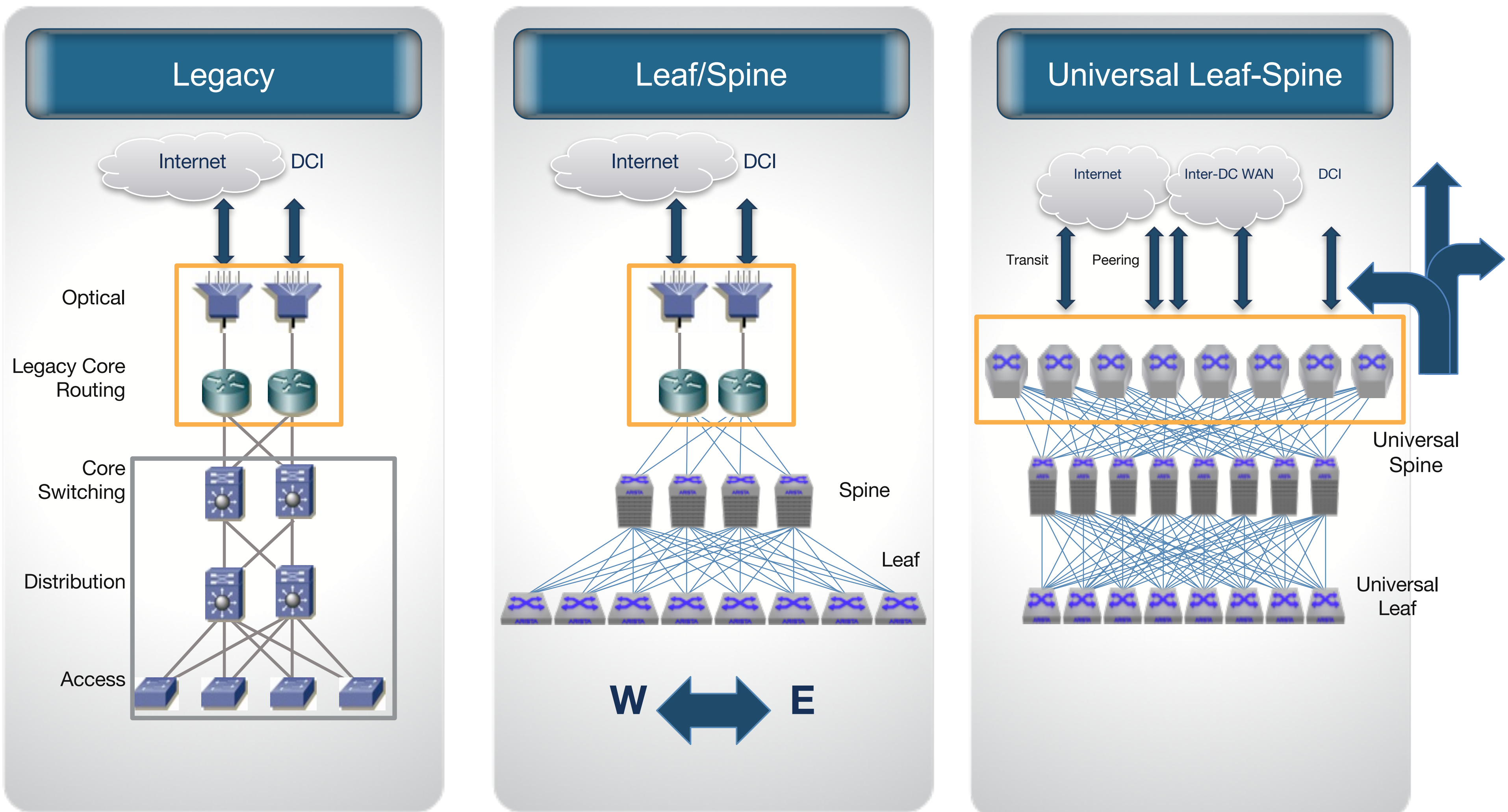
Data Center Ethernet Switch Revenue ($Bn)



Source: 650 Group December 2017 Long Term Ethernet Switch forecast

*Shows discrete 25G or 50G ports only. A significant portion of 25/50GE server ports are expected to connect via QSFP-100G break out to 100 GE switch ports at the large Cloud Service Providers.

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

EOS CloudVision®

One Tool for Automation, Control, Telemetry and Diagnostics

Arista EOS

EOS vEOS cEOS

One Image, Flexible Packaging Option

Abstraction Layer

Hardware System Design

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

Merchant Silicon

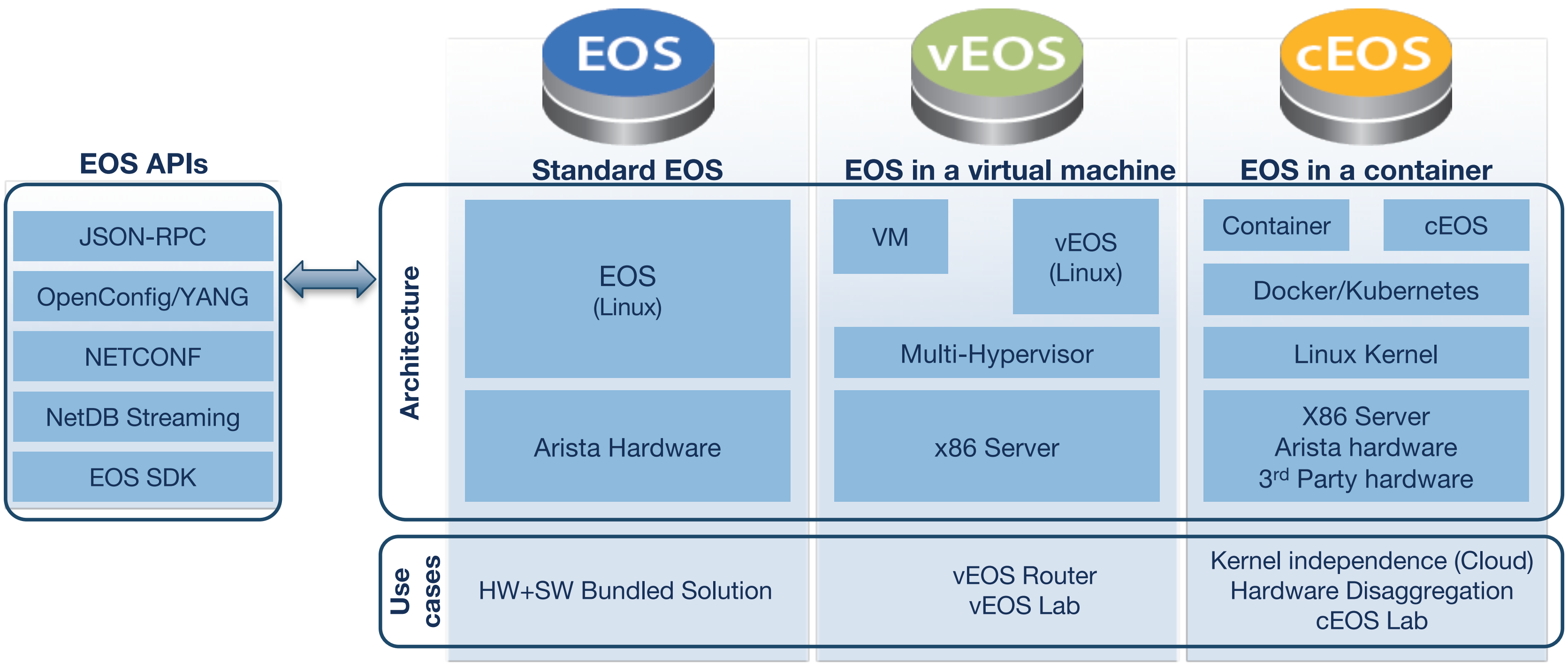
16 Silicon Families

Tofino
Jericho+ Trident-3 Tomahawk-2
Jericho Trident-II+ Tomahawk+
Alta Arad Trident-II Tomahawk
Bali Petra Trident+ Helix XP80

10G, 25G, 40G, 50G, 100G → 400G

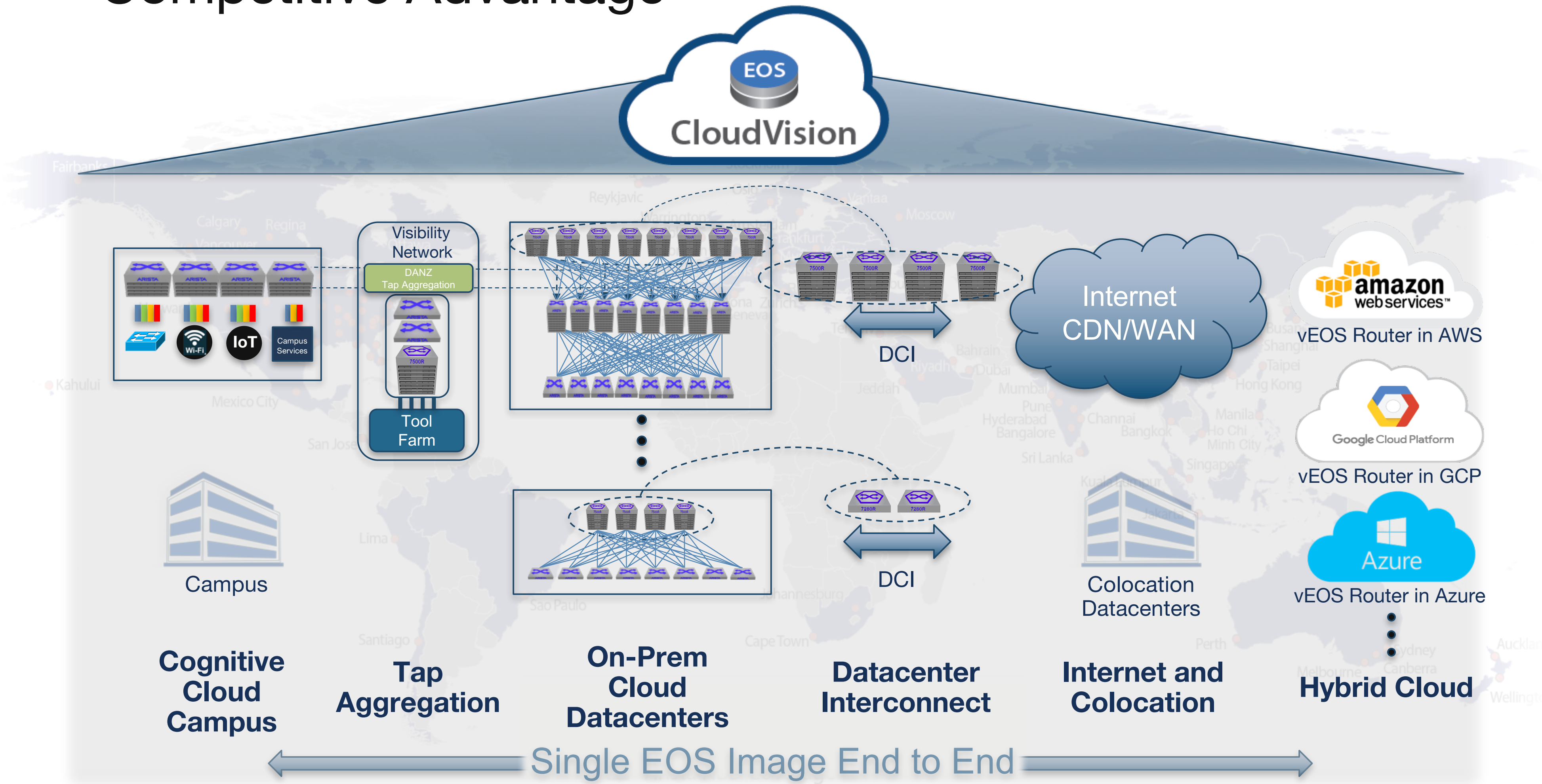
Leading Performance Best of Breed Merchant Silicon

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 this principle enabled a scalable architecture that offers flexible packaging options in an open programmable environment.

A Single EOS Image Underpins a Sustainable Competitive Advantage

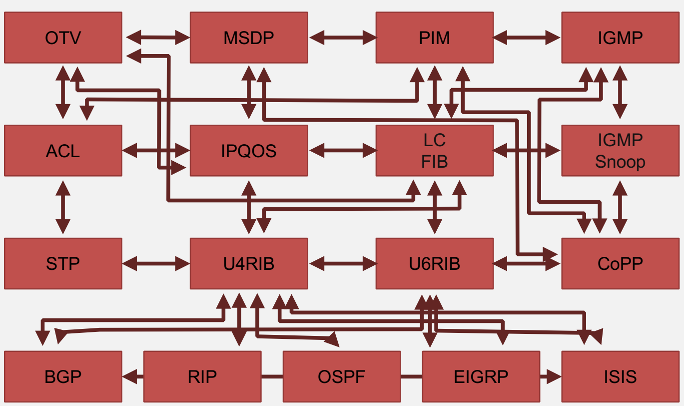


A single image improves network availability while lowering TCO. Legacy vendors can have more than 5 images with multiple management tools, adding complexity, multiplying cost and reducing stability.

Arista's Cloud Scale Software Architecture

- Differentiated Advantages
  - Stateful Orientation
  - Modern, open, and scalable architecture
  - Software Quality

Legacy – Spaghetti Code



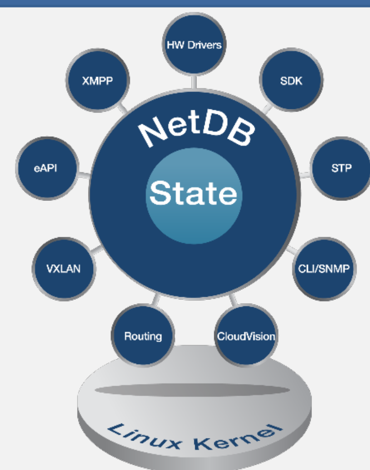
Susceptible to Process Failure

Custom Linux

Custom ASICs

Arista Programmable EOS

Notify



Publish

Processes are Self-Healing

Open Linux

Merchant Silicon

Resilient

Programmable

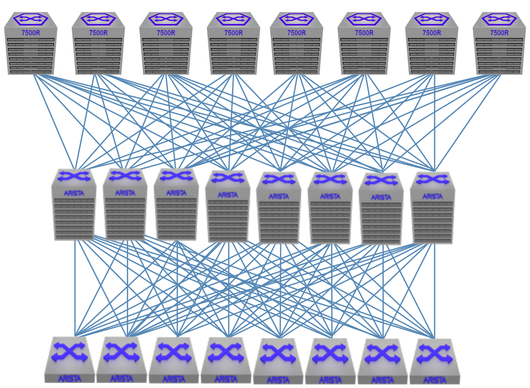
Scalable

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

Arista
Cloud Scale

Cloud Titans

Custom
Automation/
Telemetry



Scale and
Control Driven

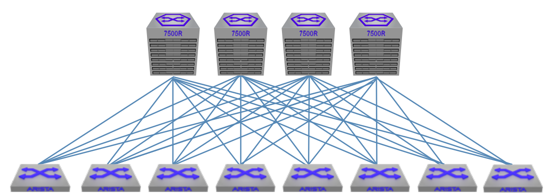
Arista
Cloud Class

Key Verticals

EOS
CloudVision

or

Custom
Automation/
Telemetry

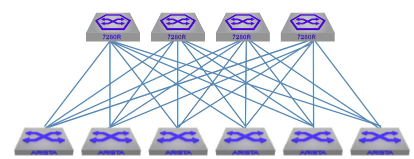


Best of Breed
Driven

Arista
Cloud Converged

Enterprise

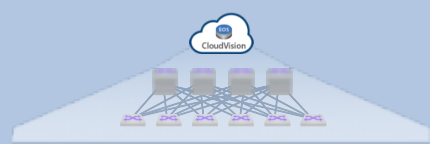
EOS
CloudVision

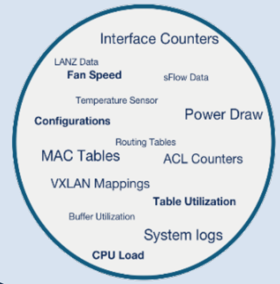


Turnkey
Driven

CloudVision: Multi-Function Hybrid Cloud Platform

Overlay Integration
API's for simplified network integration to a best of breed ecosystem





Telemetry & Analytics
Real-time state streaming and historical analytics

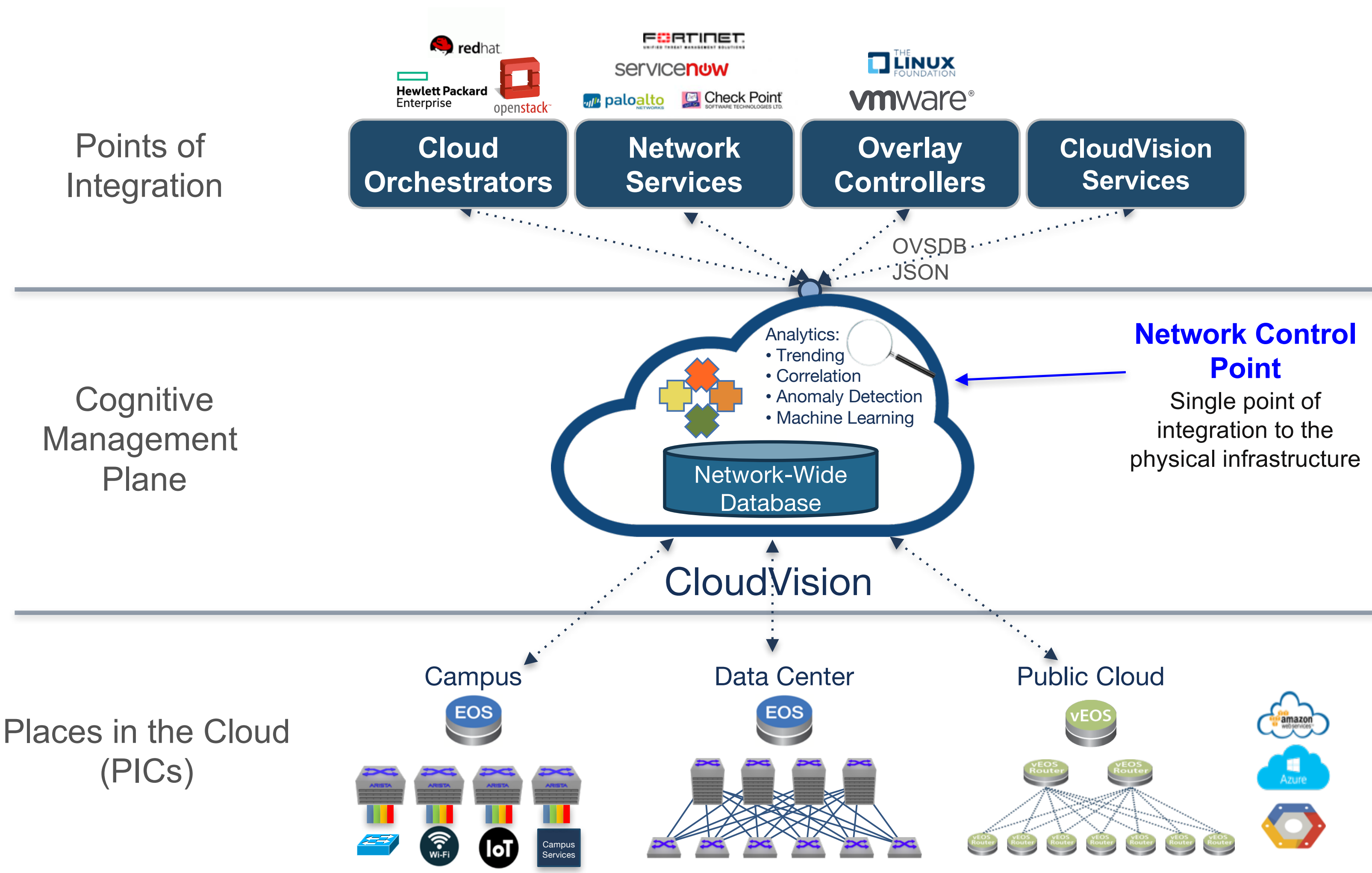
Automated Deployments
Initial and ongoing provisioning network-wide

Macro-Segmentation Services (MSS)
Service insertion for securing today's cloud networks

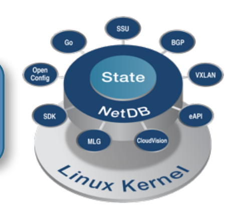
Change Controls
Network-wide upgrades, rollback and snapshots. Compliance and Bug Visibility

DANZ TAP Aggregation
Purpose-built to capture traffic at cloud scale and speed

Cognitive Management Plane with Integration Point For Open Ecosystem



Cognitive Management is most effective with comprehensive and consistent STATE end to end, which starts with the network operating system - EOS



Cloud-Class Market Leadership Platform Portfolio

Spine/Spline™

7300X/7320X/7300X3 Series

7500E/R Series

EOS

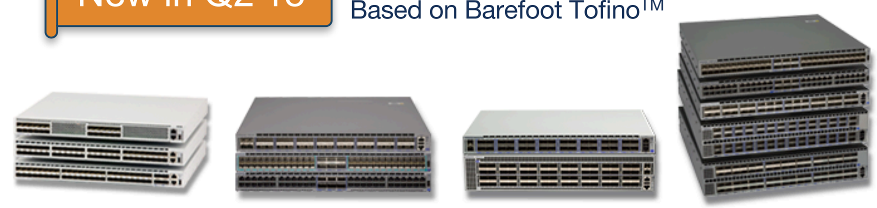
Leaf

7050X/7050X3/7060X/7060X3 Series

7150S/7160/7170/7280R Series

New in Q2'18

7170 Programmable Switch
Based on Barefoot Tofino™



Volume

Value

Single Image Arista EOS Across All Platforms

Disruptive Cloud Economics for Routers

	Traditional Router	Arista 7500R Spine
Interface Types	Legacy & Ethernet	Ethernet
100G Density	~80 Ports	576 Ports
Power (per 100G port)	~200+ watts	23 watts
List Pricing (per 100G port)	$100,000+	$3,000
Software Features	Legacy feature sets	Cloud-optimized Routing, FlexRoute Scale, Programmable Traffic Engineering

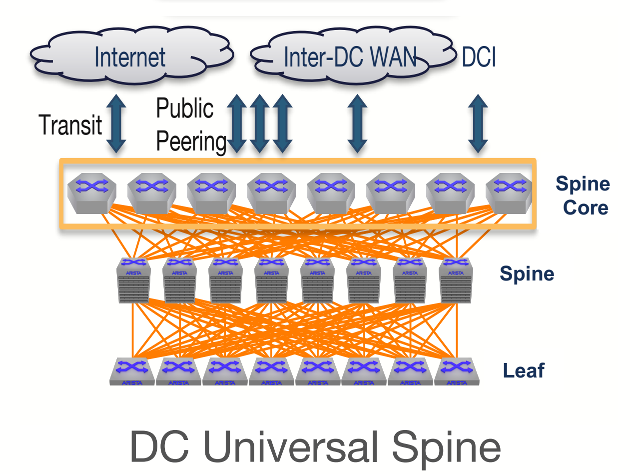
Arista's Disruptive Economics

7500R disrupting router market w/100GbE routing transition

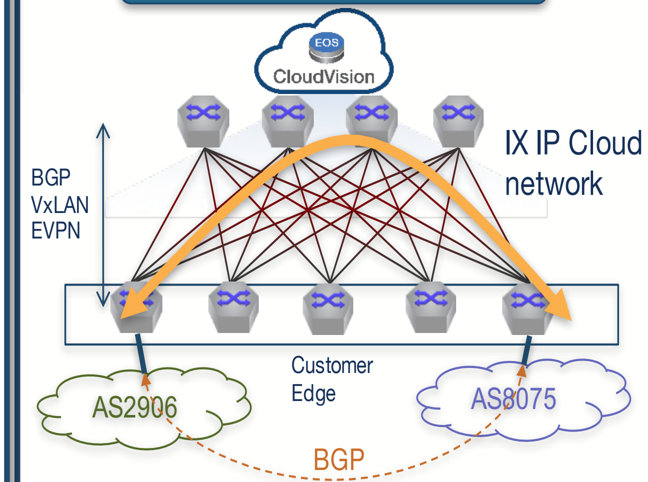
Expanding Routing Use Cases- Arista's Universal Leaf & Spine

ARISTA FlexRoute™

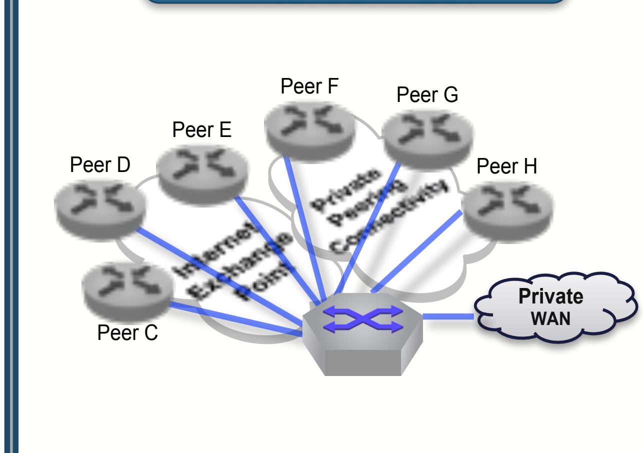
Cloud DCI



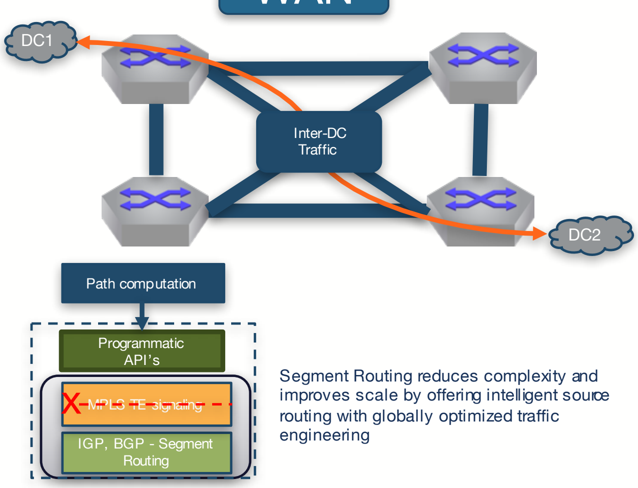
IX Cloud



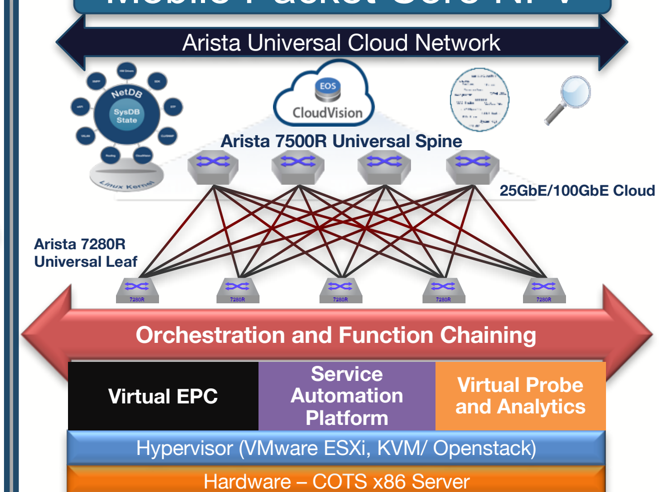
Peering and Interconnect



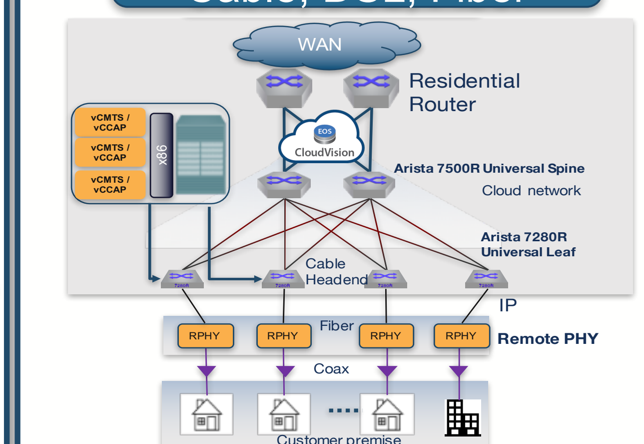
WAN



Mobile Packet Core NFV



Residential & Business Cable, DSL, Fiber



Cognitive Campus Platforms

Cognitive Platforms

Spline™ Platforms

7300X3
Modular System
Up to 256 100G ports

7050X3
Fixed System
Up to 32 100G ports

Cognitive WiFi Edge Platforms

Cognitive WiFi

Simplify with collapsed Spline architecture

Cognitive OS

EOS

Hitless Patching
High Availability with Stateful Switch Over
Flow Telemetry
NetDB Streaming
Secure Macro Segmentation Service
Dynamic Path Selection

Single Software Image consistency

Cognitive Management

EOS CloudVision

Zero Touch Provisioning / Repair
Automated Upgrades & Rollback
Compliance & Audit
Network-wide Analytics, including machine learning
Cloud Network Topology

Federated across DC & Campus

Cloud Scale Cognitive WiFi is here
Mojo Networks

Facts

Founded based on WIPS*

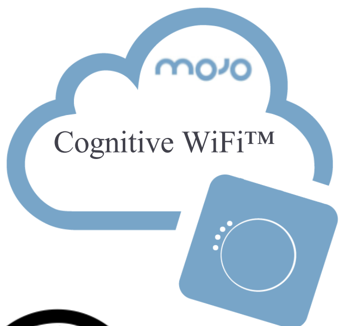
Reborn in 2016

250+ Employees

2500+ Customers

500,000 APs shipped

Our Solution



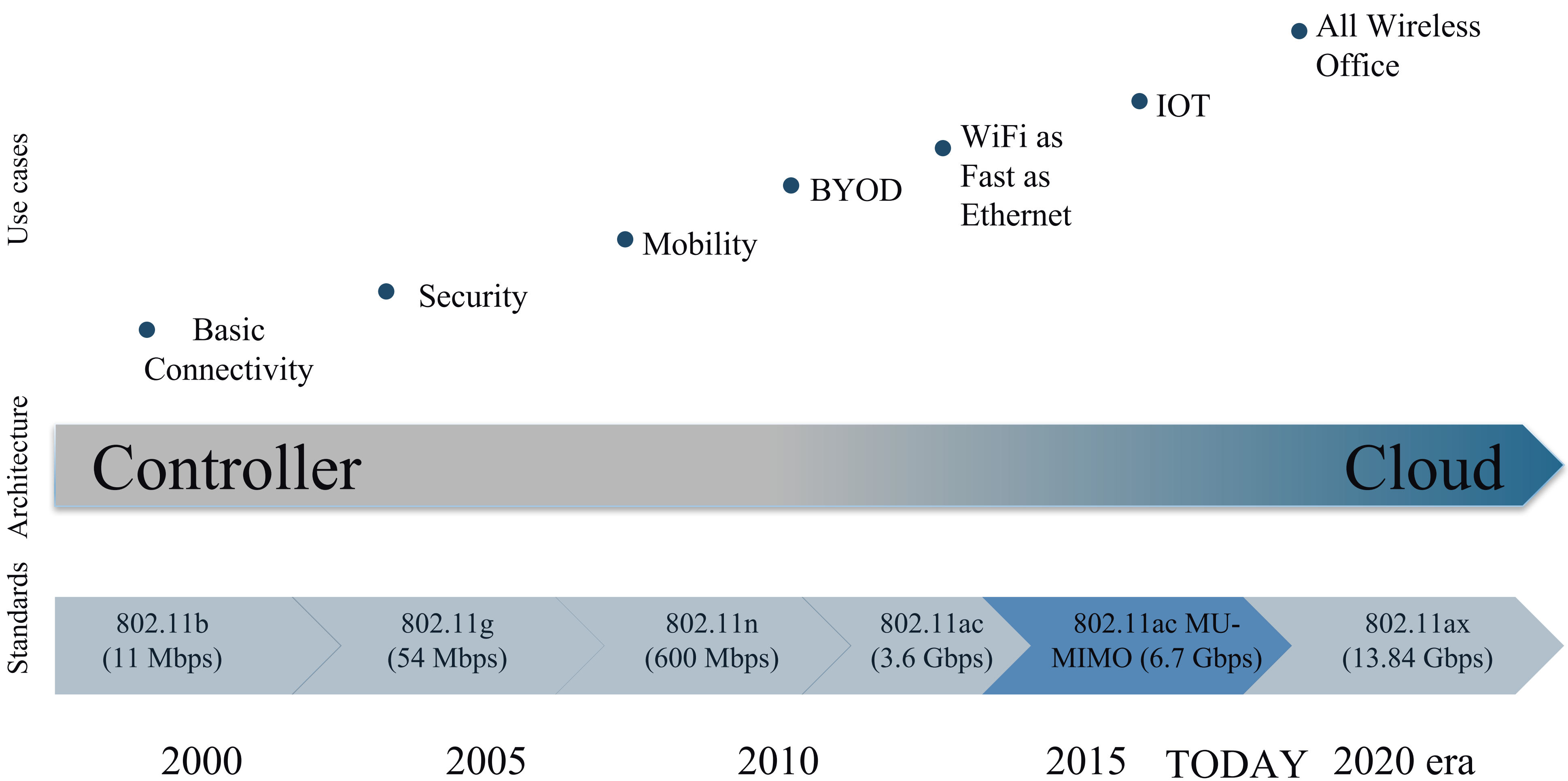
Gartner MQ

Figure 1. Magic Quadrant for the Wired and Wireless LAN Access Infrastructure

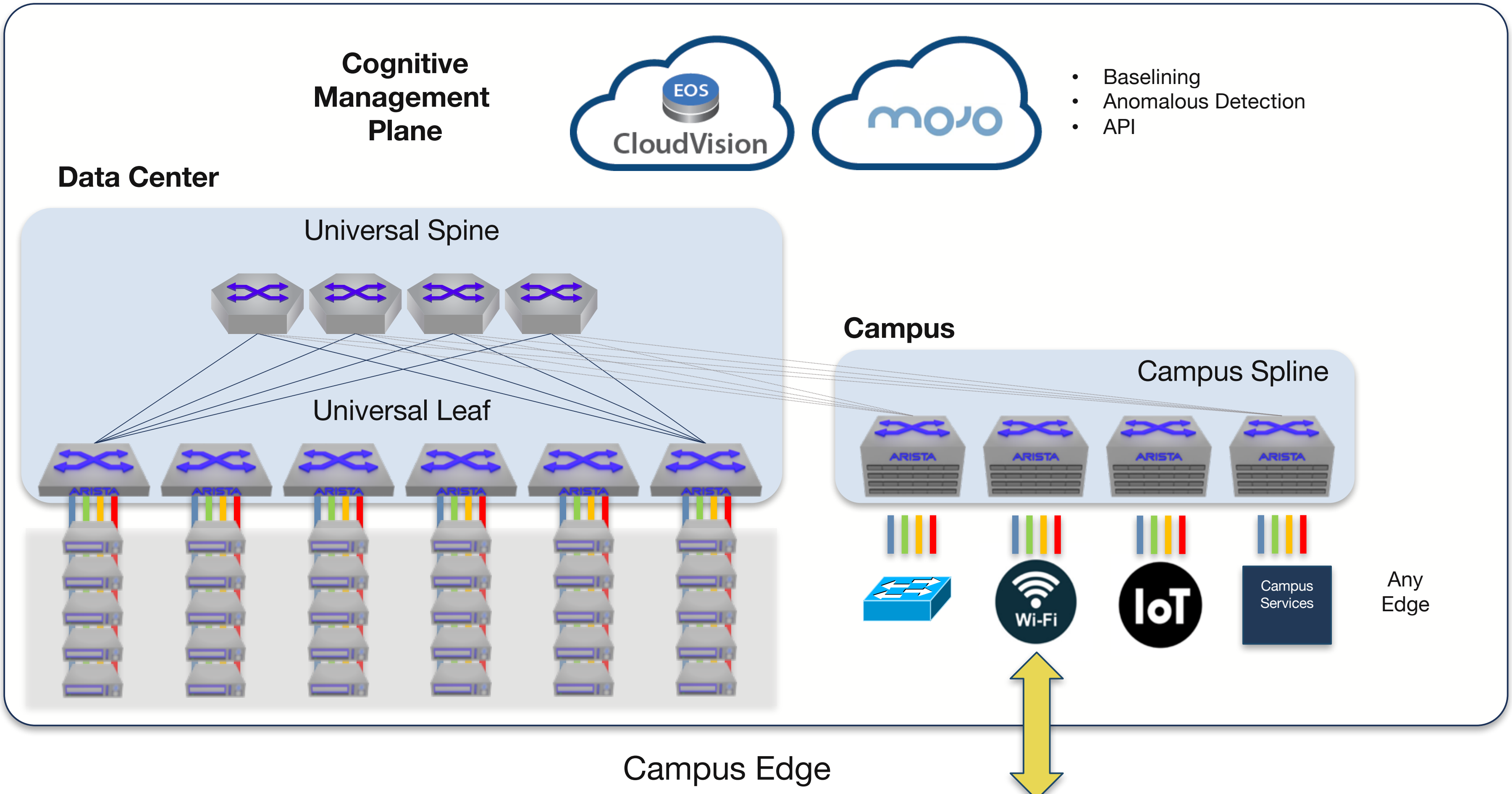
Source: Gartner (July 2018)

* WIPS - Wireless Intrusion Prevention System

WiFi “Refresh” Driven by Evolving Standards



Universal Cloud Networking for the Campus



Campus Edge

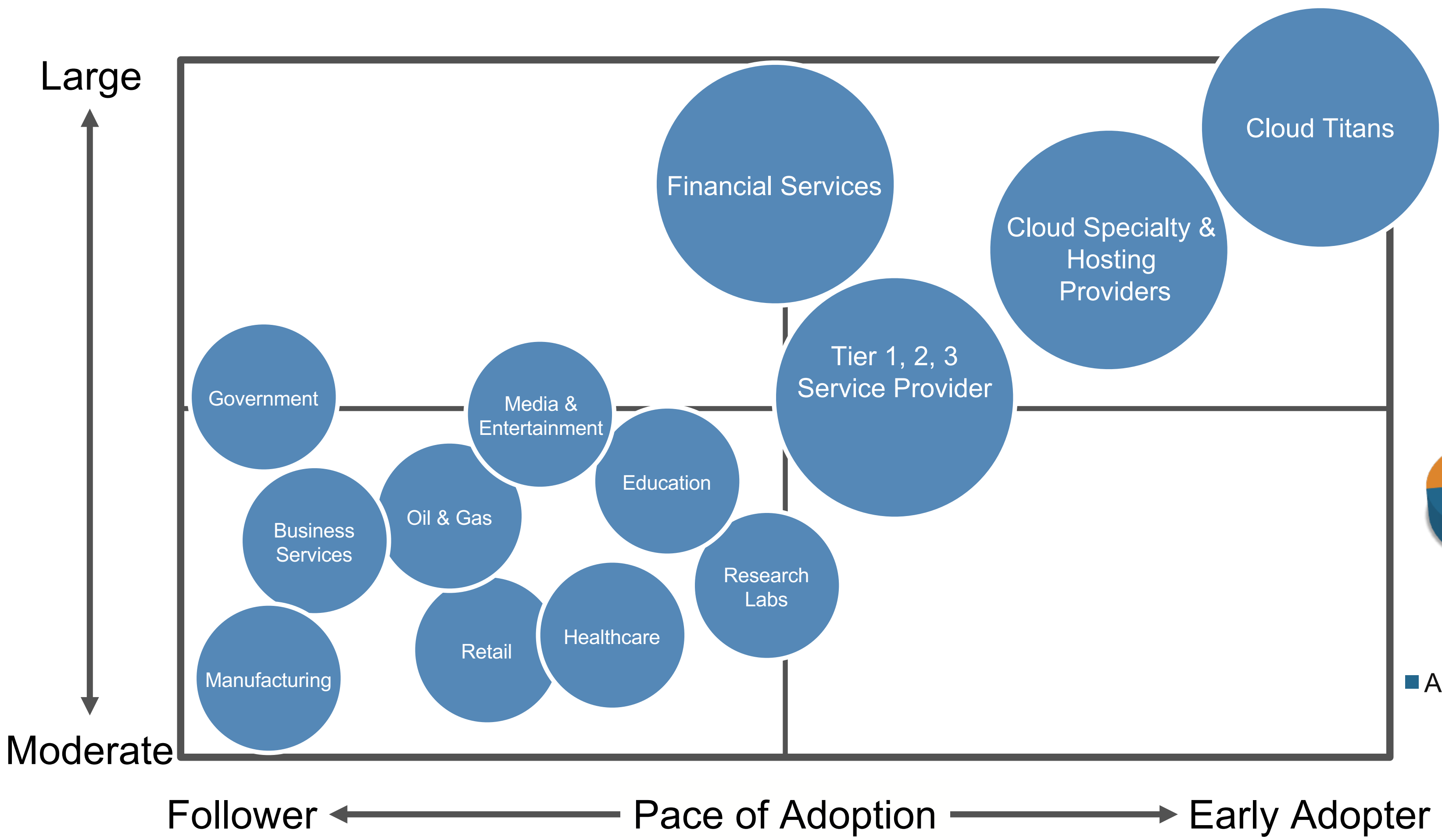
Switching
- HPE POE
- Arista non POE

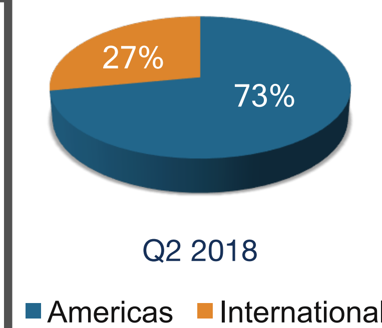
IoT
- Visibility
- Segmentation
- Control

Wireless
- Controller Based with Aruba
- Cloud Based Mojo

Campus Edge
- MSS & standards integration

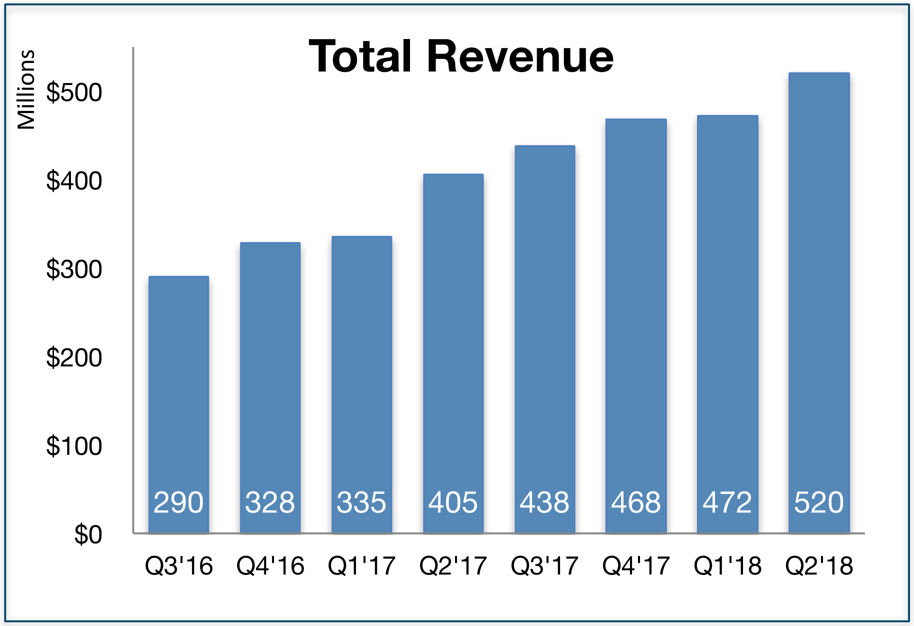
Major Verticals

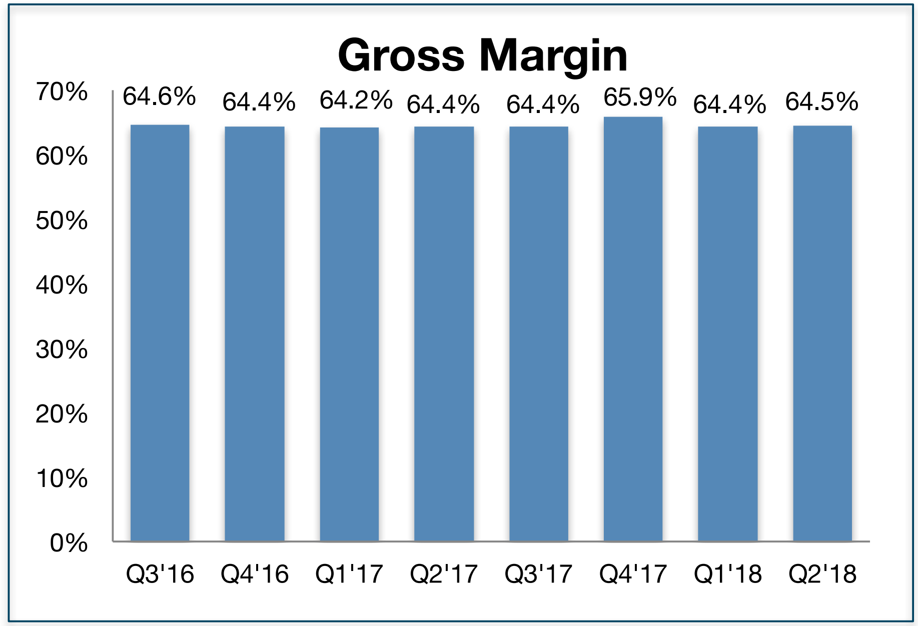


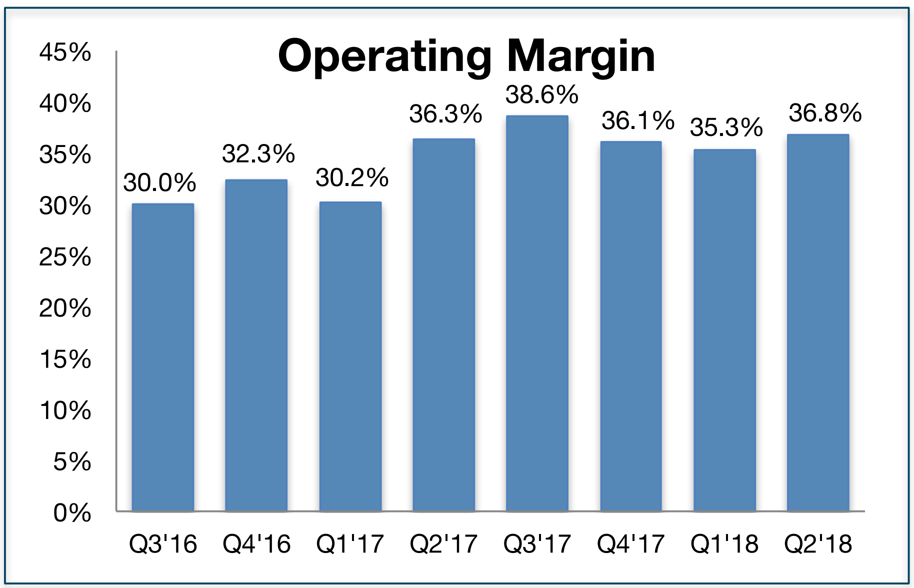


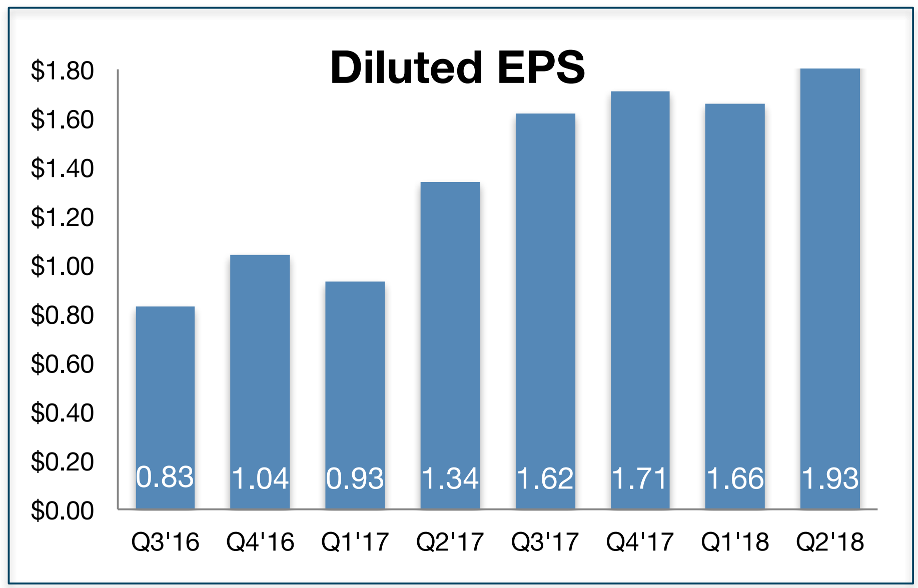
Note: By Billings. Only selected verticals shown. Diagram not to scale.

Financial Highlights[1]



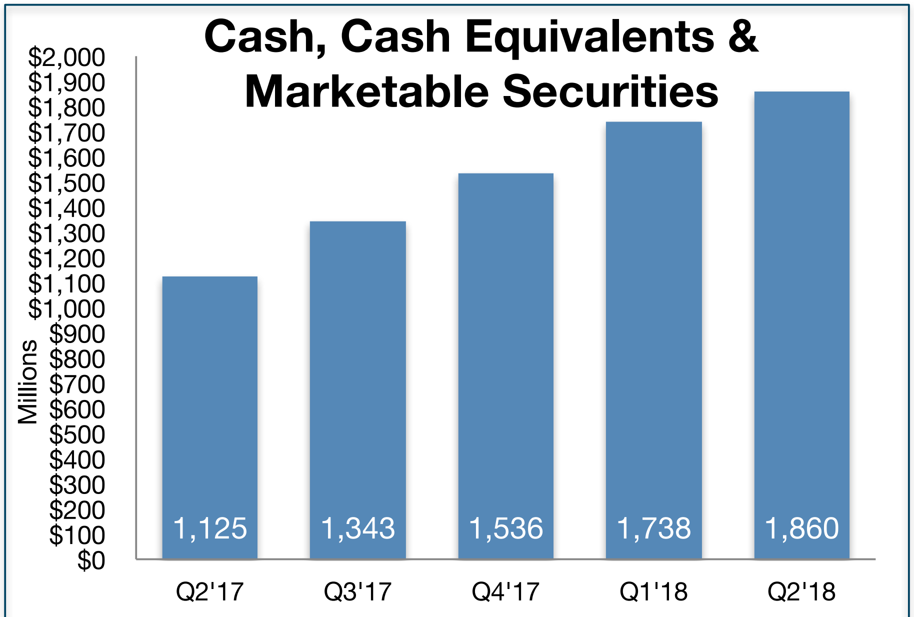


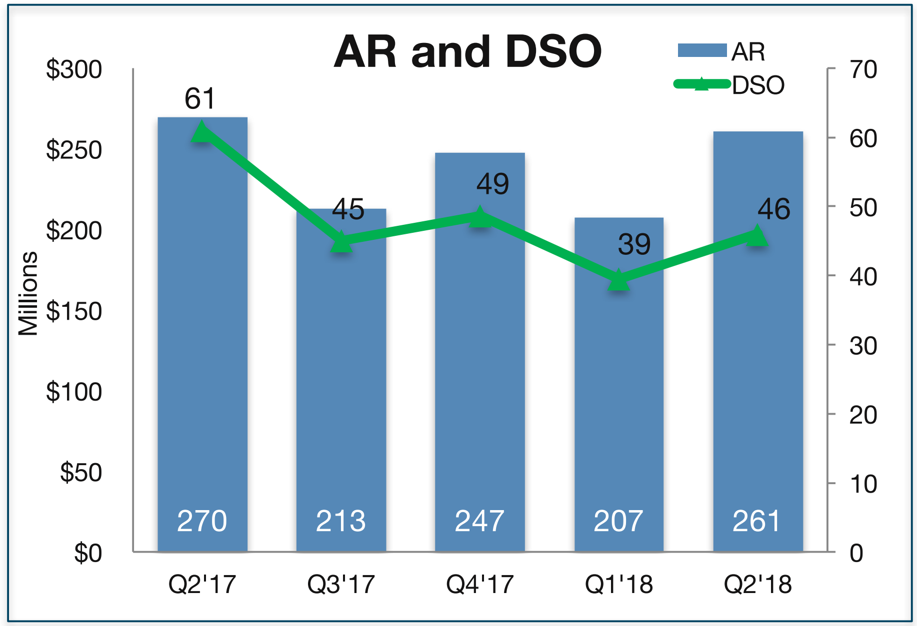


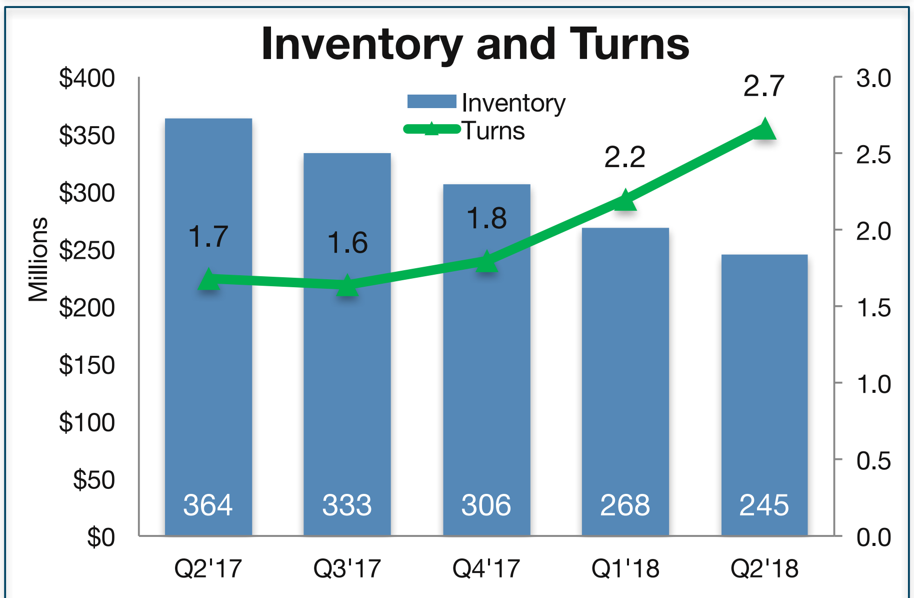


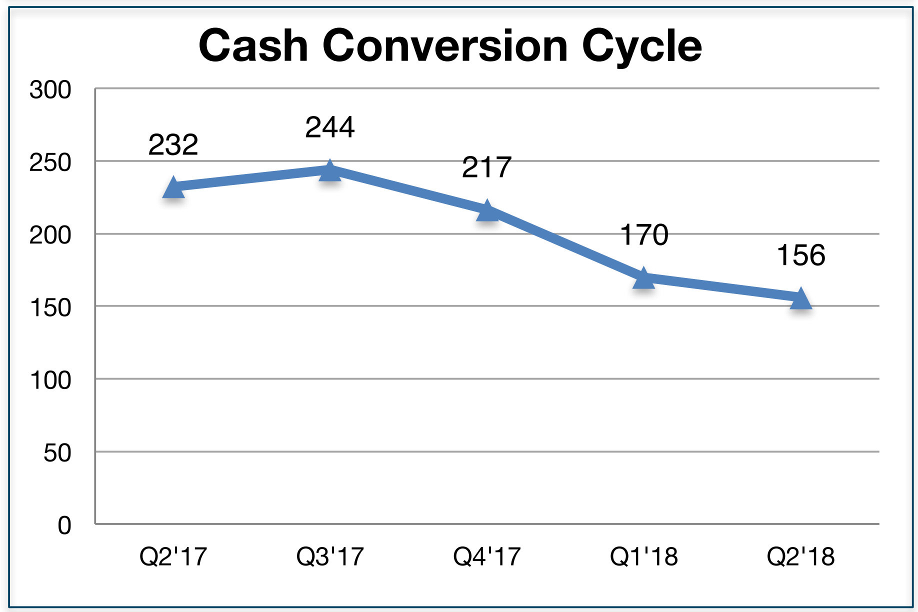
[1] Amounts are non-GAAP except for Revenue; refer to reconciliation between non-GAAP and GAAP in the appendix.

Balance Sheet & Cash Conversion Cycle



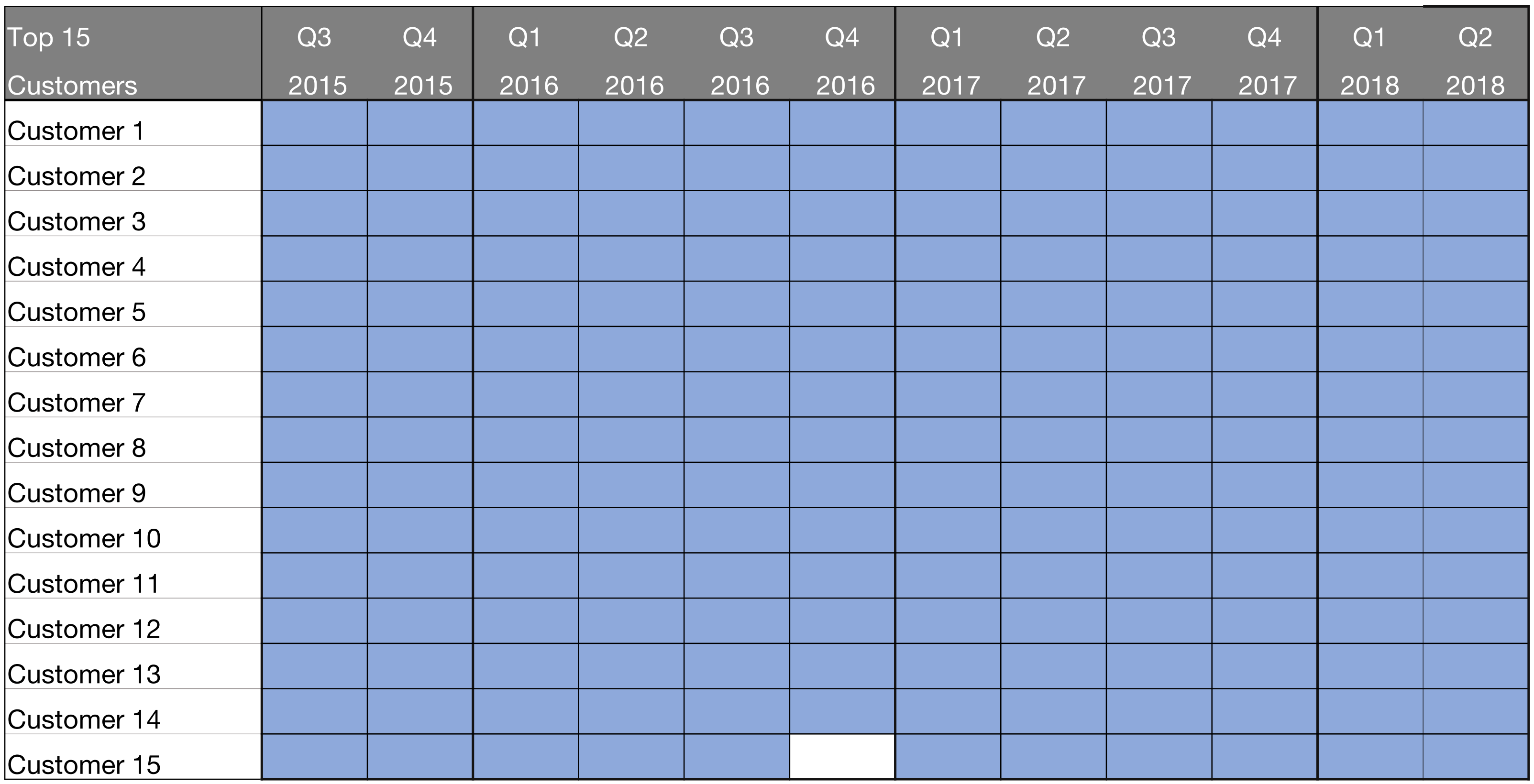






Foundational Technology Underpins TAM Expansion

- We partner with customers and follow their journey
- EOS software drives repeat purchases, Arista cultivates customer advocacy
- EOS software organically enables additional use cases



Additional Purchases

Did Not Purchase

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

Arista Highlights - Second Quarter 2018

Key Highlights

Q2-2018:

- Arista Introduces Cognitive Cloud Networking for the Campus encompassing a new network architecture designed to address transitional changes as the enterprise moves to an IoT (Internet of Things) ready campus. Leveraging EOS® and CloudVision®, Arista's Cognitive Cloud Networking approach brings operational consistency and modern cloud principles to the enterprise campus.
- Arista Announces New Multi-function Platform for Cloud Networking Based on the Barefoot Tofino™ series of P4-programmable Ethernet switch chips, the Arista 7170 Series delivers flexible systems for a multitude of applications across cloud networks.
- Arista CEO, Jayshree Ullal, named as one of Barron's World's Best CEOs: Growth Leaders
- Arista was named in the Forbes Global 2000 World's Largest Public

Financial Results (non-GAAP)[1]

Q2-2018:

Q2'18 Revenue: $519.8M
Q2'18 EPS: $1.93

Q2'17-Q1'18 YOY Revenue Growth: 28.3%

Q2'18 Gross Margin: 64.5%

Q2'18 Operating Margin: 36.8%

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

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

Appendix: GAAP to Non-GAAP Reconciliation

In 000's except per share data	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
GAAP gross profit	$ 214,210	$ 259,777	$ 280,617	$ 307,165	$ 302,919	$ 333,883
GAAP gross margin	*63.9%*	*64.1%*	*64.1%*	*65.7%*	*64.1%*	*64.2%*
Stock-based compensation expense	1,024	1,087	1,113	1,129	1,202	1,236
Non-GAAP gross profit	$ 215,234	$ 260,864	$ 281,730	$ 308,294	$ 304,121	$ 335,119
Non-GAAP gross margin	*64.2%*	*64.4%*	*64.4%*	*65.9%*	*64.4%*	*64.5%*
GAAP income (loss) from operations	$ 73,418	$ 116,634	$ 140,832	$ 139,388	$ 138,738	$ (239,803)
GAAP operating margin	*21.9%*	*28.8%*	*32.2%*	*29.8%*	*29.4%*	*-46.1%*
Stock-based compensation expense	16,439	18,400	20,152	20,436	20,851	22,478
Litgation expenses	11,466	11,957	7,857	9,072	7,085	3,569
Legal settlement	-	-	-	-	-	405,000
Non-GAAP income from operations	$ 101,323	$ 146,991	$ 168,841	$ 168,896	$ 166,674	$ 191,244
Non-GAAP operating margin	*30.2%*	*36.3%*	*38.6%*	*36.1%*	*35.3%*	*36.8%*
GAAP diluted net income (loss) to common stockholders	$ 82,716	$ 102,474	$ 133,555	$ 103,758	$ 144,456	$ (155,187)
Net income attributable to participating securities	245	211	167	75	82	(82)
Stock-based compensation expense	16,439	18,400	20,152	20,436	20,851	22,478
Litigation expenses	11,466	11,957	7,857	9,072	7,085	3,569
Unrealized loss on investments, net	-	-	-	-	-	9,100
Legal settlement	-	-	-	-	-	405,000
Tax benefits on stock-based awards	(30,623)	(18,070)	(24,562)	(38,287)	(32,846)	(25,472)
Impact of the U.S. Tax Cuts and Jobs Act	-	-	-	51,812	-	-
Tax effect of non-GAAP exclusions	(8,436)	(9,502)	(8,947)	(9,536)	(5,505)	(103,686)
Non-GAAP net income	$ 71,807	$ 105,470	$ 128,222	$ 137,330	$ 134,123	$ 155,720
GAAP diluted income (loss) per share to common stockholders	$ 1.07	$ 1.30	$ 1.68	$ 1.29	$ 1.79	$ (2.08)
Non-GAAP adjustments to net income (loss) per share	(0.14)	0.04	(0.06)	0.42	(0.13)	4.01
Non-GAAP diluted income per share	$ 0.93	$ 1.34	$ 1.62	$ 1.71	$ 1.66	$ 1.93
GAAP weighted diluted shares	77,516	78,756	79,322	80,243	80,721	74,503
Non-GAAP weighted diluted shares	77,516	78,756	79,322	80,243	80,721	80,826

Thank You

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