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EQUITY

# ARISTA

Arista Networks, Inc.

**NYSE: \$ANET**

**Current Price:** \$102

**Entry Price:** \$97.50

**Target Price:** \$118.39

**Implied Upside:** 21.4% (using entry price)

**Recommendation:** LONG

**Investment Horizon:** 18-24 months

Team: TMT

Date: December 5th, 2024

# Investment Outlook

Implied upside of 21.4% using a weighted-average target price, assuming an entry price of \$97.50

Case	Target Price	Probability	Horizon	18-24 Months
Bear	\$88.58	8%	Rationale	<ul style="list-style-type: none"> <li>Sufficient time for AI and high-bandwidth connectivity markets to accelerate</li> <li>Strong demand for networking infrastructure expected over this period from ANET's current and prospective customers</li> </ul>
Base	\$118.41	80%		
Bull	\$138.03	12%		

Theses	Overview
1: AI-Driven Connectivity Growth and Ripening Customer Base	The rapid growth of AI and hyperscale data centers is fueling demand for high-speed, low-latency networking solutions. Arista Networks is well-positioned to capitalize on this trend through its leadership in 100/400GbE switching and expansion into 800GbE. With high customer base growth potential among Fortune 500 companies, and heavy investment from existing clients like Microsoft and Meta, Arista is poised for continued growth.
2: Superior Agility and Competitive Positioning	Arista's focused approach to cloud and data center markets allows it to outpace competitors burdened by legacy portfolios. The company's innovation in high-performance Ethernet switches and its ability to adapt to changing customer needs has driven strong market share gains and solidified its position as a leading provider in AI-ready infrastructure.
3: Specialised, Developing Product and Savvy Capital Allocation	Arista continues to leverage its proprietary technology, such as EOS and CloudVision, while maintaining exceptional financial discipline. Its focus on high-growth areas like AI-driven infrastructure, combined with efficient tax strategies, strategic investments, and strong free cash flow, underpins its competitive edge and long-term success.



# Business Overview

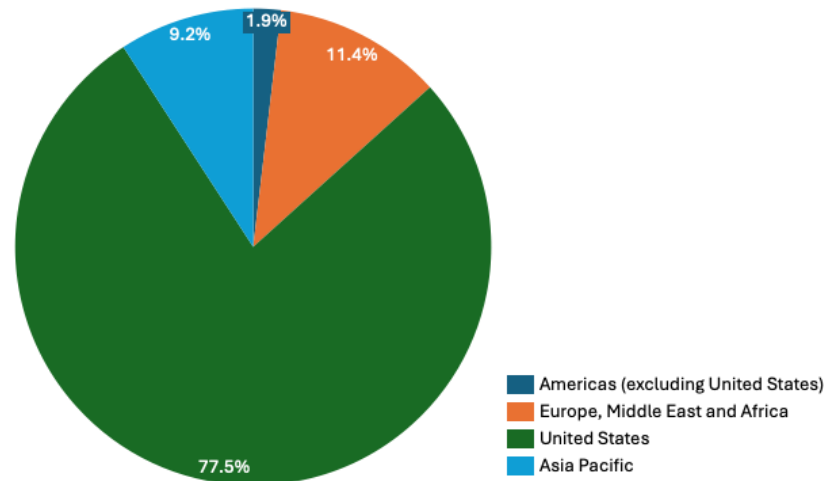
Arista Networks, Inc. is a leader in **cloud networking solutions** for large-scale data centers, high-performance computing environments, enterprise campuses, and AI-driven infrastructures. Founded in 2004 and headquartered in Santa Clara, California, Arista differentiates itself through its proprietary **Extensible Operating System (EOS)** and **CloudVision platform**, which deliver unparalleled programmability, automation, and scalability. With around **20% penetration within the Fortune 500**, Arista is a **market-leader in the high-speed Ethernet market**, particularly in 100/400GbE switching.

## Core financials

Metric	Value (2023A)	Margin
Revenue	\$5.86bn	N/A
Gross Profit	\$3.63bn	62%
EBITDA	\$2.33bn	40%
Net Income	\$2.09bn	36%
Unlevered FCF	\$1.83bn	31%

Multiple	Value (LTM Average - Nov 24)
P/E	50.78
EV/Revenue	18.61
EV/EBITDA	43.51
EV/Unlevered FCF	56.82
PEG Ratio	1.12

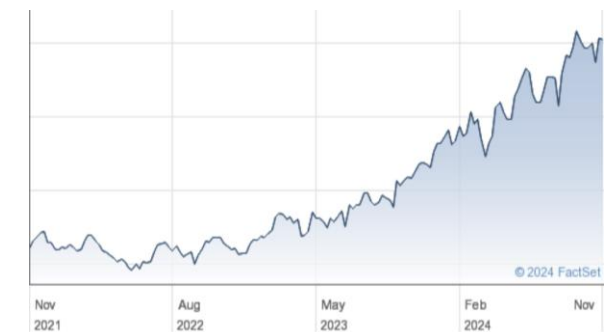
## Revenue split, by region



## Key products

1. Switches
2. Routers
3. Arista EOS
4. CloudVision
5. High-Bandwidth Offerings
6. Security Solutions

## Share price evolution



# Industry Overview

Arista Networks operates within the data center networking industry – a sector set for strong growth driven by key trends:

1

## Digital Networking Industry

- Widespread adoption of AI supported by 36.6% growth rates from 2023 to 2030 places significant demand on data networking infrastructure
- AI, predictive analysis and machine learning require strong computing capabilities and warrant ANET's networking solutions
- Global data networking markets are projected to grow from USD34.7Bn to USD 118.9Bn by 2033

2

## Technological Shifts

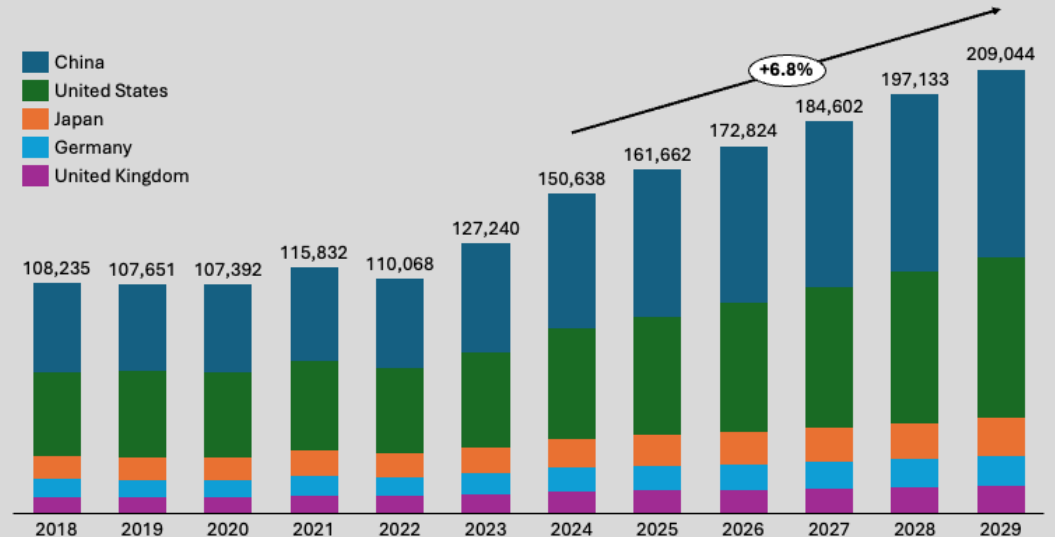
- Migration towards cloud services accelerate demand for efficient and highly scalable data center networks that better grow with virtual workloads
- The rise of edge computing (processing data closer to origination) draws greater needs for flexible networking applications to experience improved time processing and low-latency usages

3

## Broadband and Connection Advancements

- Rollouts of 5G networks and high performing frequency communication lines generate demand for efficient digital connectivity solutions
- With 5G infrastructure globally growing at CAGR 50.2% from 2023 to 2030, derived demand for ANET's software, switches and routers will rise

Network infrastructure revenue worldwide 2018-2029, by country



Revenue projections show significant growth across all listed regions with China leading at USD88.5bn (Statista)



# Competitor Landscape

- Arista's penetration into the enterprise market represents a significant growth opportunity.
- Unlike competitors with broad, legacy-driven portfolios, Arista has gained market share with **high-performance, cloud-tailored solutions** that address modern networking needs.
- Arista is uniquely positioned to capitalize on cloud and data center growth, while larger players like Cisco are weighed down by their legacy portfolios. Arista's market share by sales was 5% in 2018 – by 2022 it's nearly doubled to 9%.

## Arista Networks Competitive Positioning:

Arista stands out as a nimble, high-growth challenger in an industry dominated by larger players facing significant headwinds. By leveraging its focus on cloud, data centers, and enterprise networking, Arista has positioned itself to:

1 Double its market share from 5% in 2018 to 9% in 2022, this growth was driven by innovation in high-speed networking.



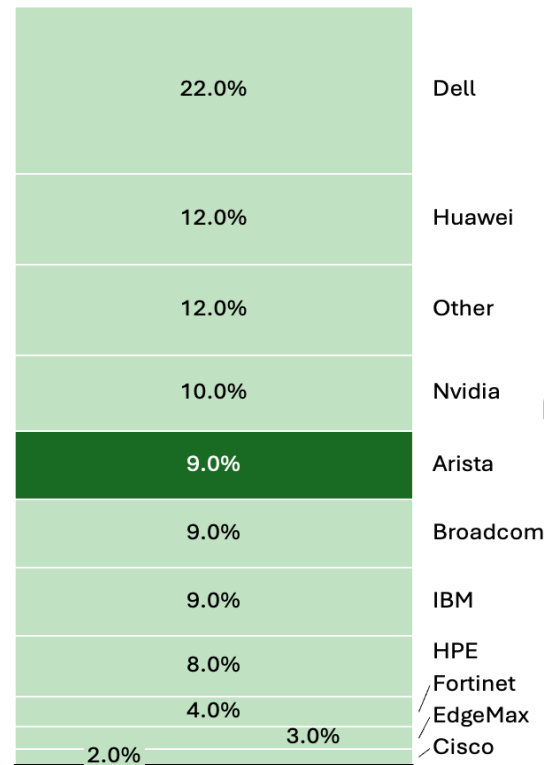
2 Leverage Huawei's regulatory constraints to capture share in Western markets.



3 Capitalise on growing cloud adoption, where its partnerships and product superiority shine.

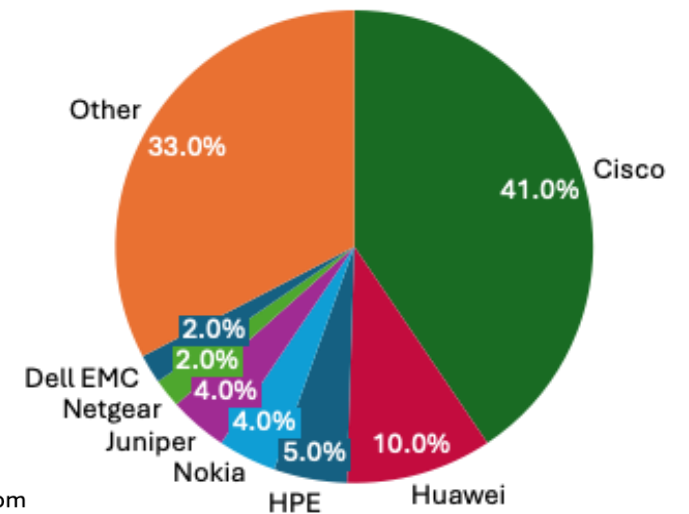


Enterprise network market share by revenue, 2022



ARISTA

Enterprise network infrastructure market sector segmentation, 2022

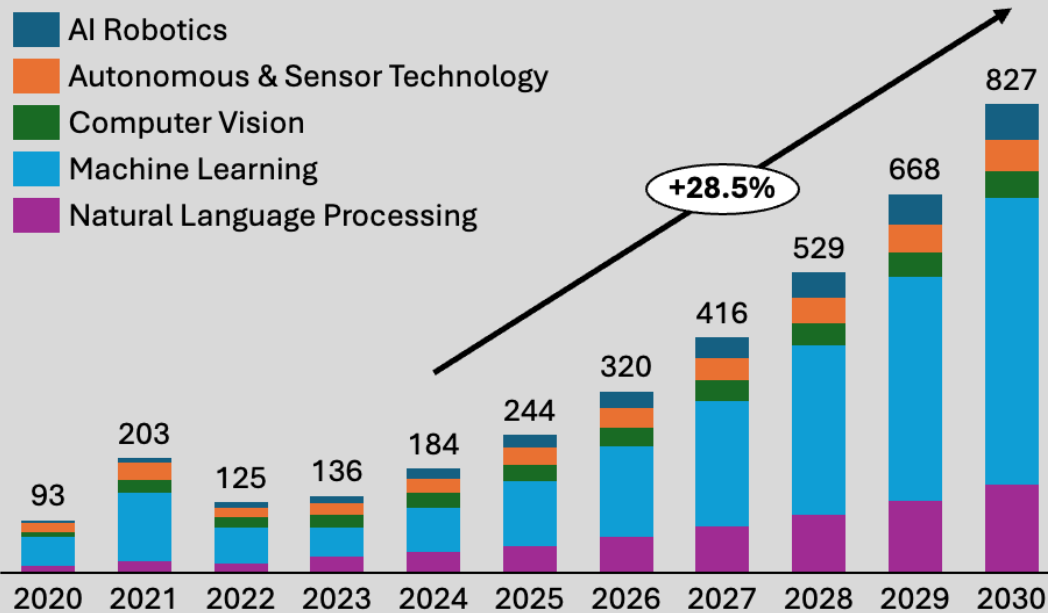


# Thesis 1: AI-Driven Connectivity Growth and Ripening Customer Base

## Global Market Size

The rapid adoption of generative AI and large language models has significantly increased the need for high-speed, low-latency networking solutions.

Worldwide AI market size, US\$bn



Meta CFO, Susan Li: expect "significant capital expenditures" growth next year (2025) due to new data centers and network infrastructure

## Global Market Drivers and Trends

Worldwide AI spending is forecasted to increase to \$632Bn by 2028, with a CAGR of 29.0%.

Top AI use cases based on 5-year CAGR (2023-2028 (value constant))

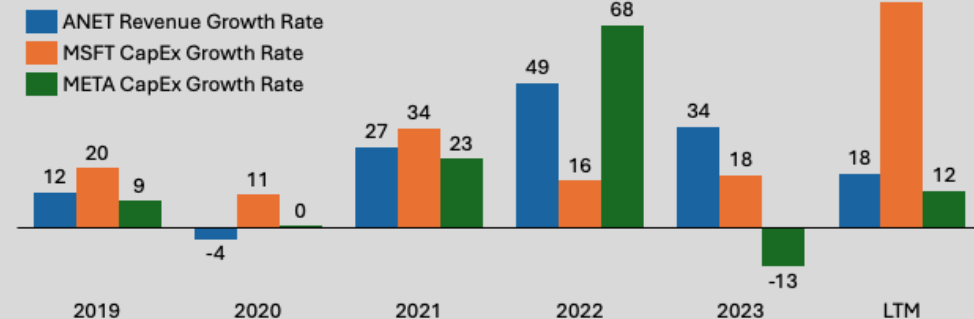
Use Case	CAGR (5 Years)
Augmented Claims Processing	+35.8%
Digital Commerce	+33.2%
Augmented Sales Planning and Prospecting	+32.8%
Smart Factory Floor	+32.5%
Augmented Product Requirements, Design & Collaboration	+32.2%
Others	+28.6%

"Smart Factory Floor" and "Augmented Product Requirements, Design & Collaboration" use cases most connected to ANET's products

## Influence of META and MSFT CapEx

North America will remain the dominant market (\$336Bn in 2028). ANET Revenue will continue to be driven by heavy AI Infrastructure investment from main clients Microsoft and Meta

ANET's revenue growth rate vs. Hyperscalers' CapEx spend rates YoY



# Thesis 1: AI-Driven Connectivity Growth and Ripening Customer Base

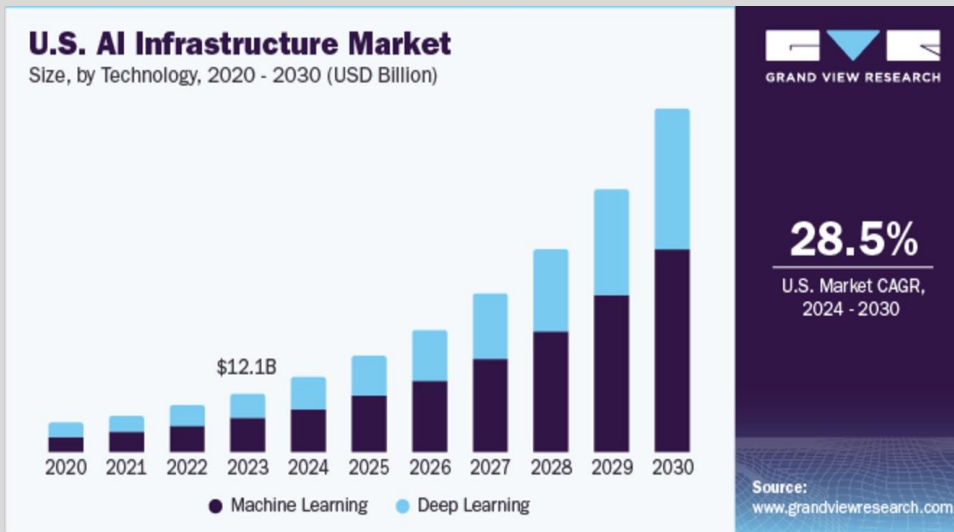
## Expanding AI and Cloud Computing Infrastructure Markets

Global AI infrastructure market valued at USD 35.42 billion in 2023, projected to grow at a 30.4% CAGR (2024–2030), with the U.S. at 28.5%.

Rising demand for high-performance computing, cloud-based AI platforms, and AI-powered solutions is driving growth.

Expanding cloud computing market intensifies the need for scalable, flexible, low-latency infrastructure to handle data traffic and complex workloads.

Growing adoption of AI, IoT, and edge computing increases demand for intelligent, automated networks to support distributed environments.

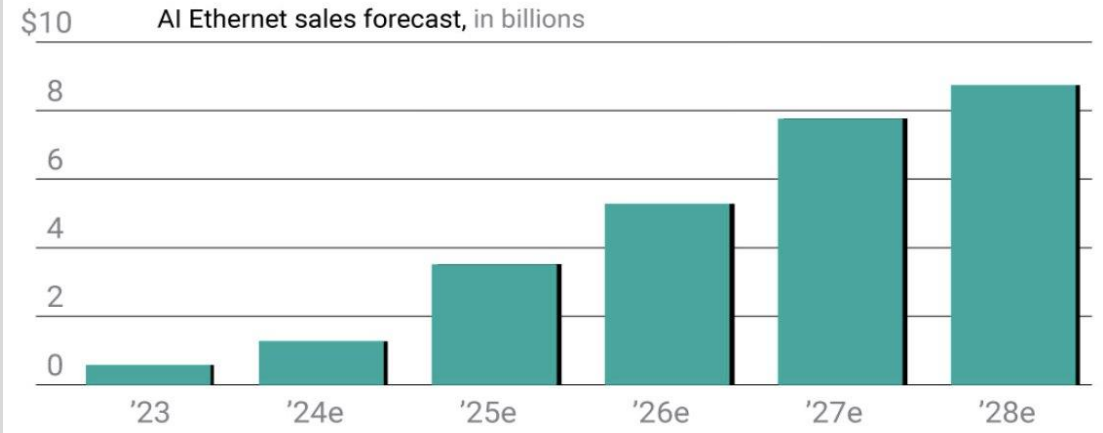


## Transition to 400GbE and Beyond

Data centers are accelerating their transition from 100GbE to 400GbE Ethernet, driven by increasing data traffic and cloud services adoption. Arista holds a leading market share in 100/400GbE switches and is expanding into 800GbE.

### Big Bucks In AI Networking

Nvidia and Arista Networks are competing head-on in the market for Ethernet networking devices for AI data centers

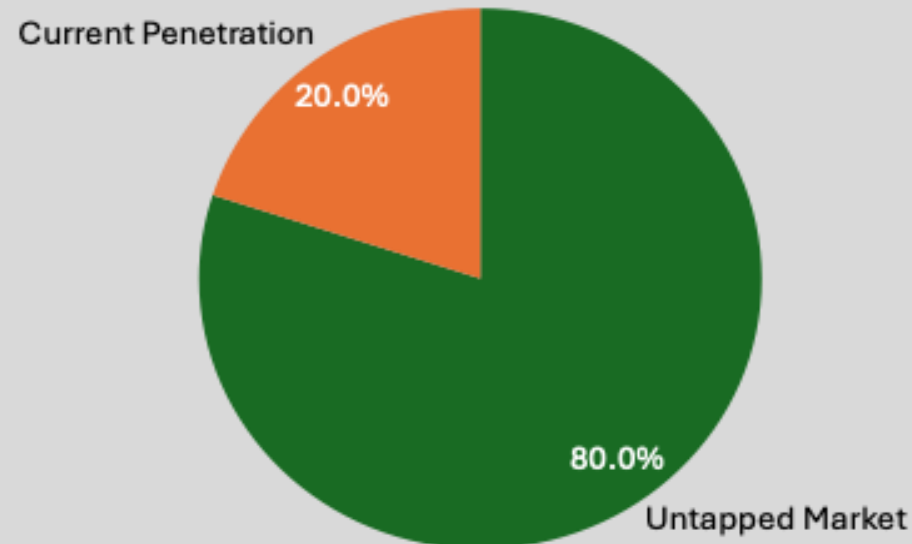


# Thesis 1: AI-Driven Connectivity Growth and Ripening Customer Base

## Expanding Fortune 500 Base

- Arista's 20% penetration among Fortune 500 companies highlights significant growth potential in the enterprise market
- 40% of revenue currently derived from Microsoft and Meta.
- The company is expanding into data center and campus environments within the enterprise sector.
- Arista leverages its cloud market reputation for reliability and performance to drive enterprise adoption.

### ANET's penetration of the Fortune 500 market

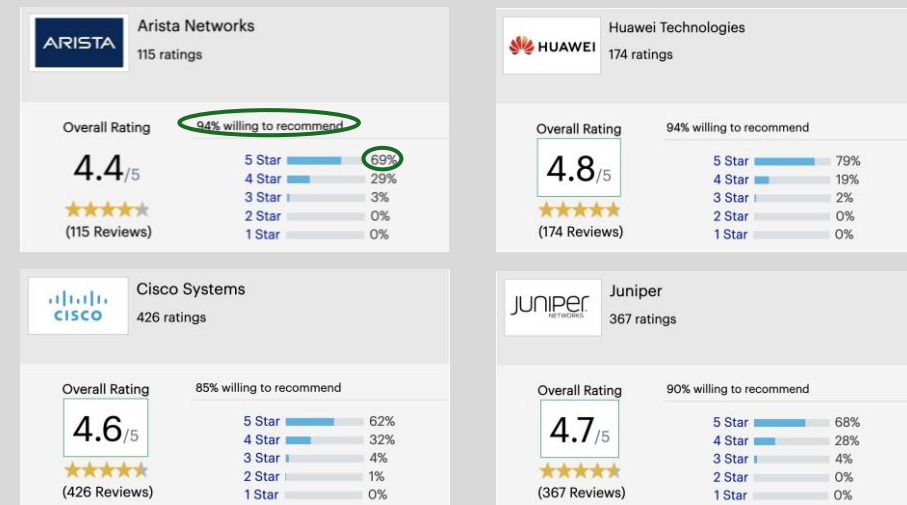


## Strong Customer and Professional Reputation

### Recognised by international awards



### Competitive in user experience





# Thesis 2: Superior Agility and Competitive Positioning

## Arista Networks' Industry-Leading Growth and Profitability

- **Superior Growth:** Arista achieved 17.36% YoY revenue growth, far outpacing competitors like Cisco (-9.76%) and Juniper (-12.62%), signalling strong market momentum.
- **Profitability Leadership:** With a 44.22% EBITDA margin and a 64.15% gross margin, Arista demonstrates pricing power and operational excellence unmatched by most peers.
- **Resilience and Opportunity:** Arista leads gross margins across the board, driven by innovation and strategic focus in high-growth segments like cloud and AI.

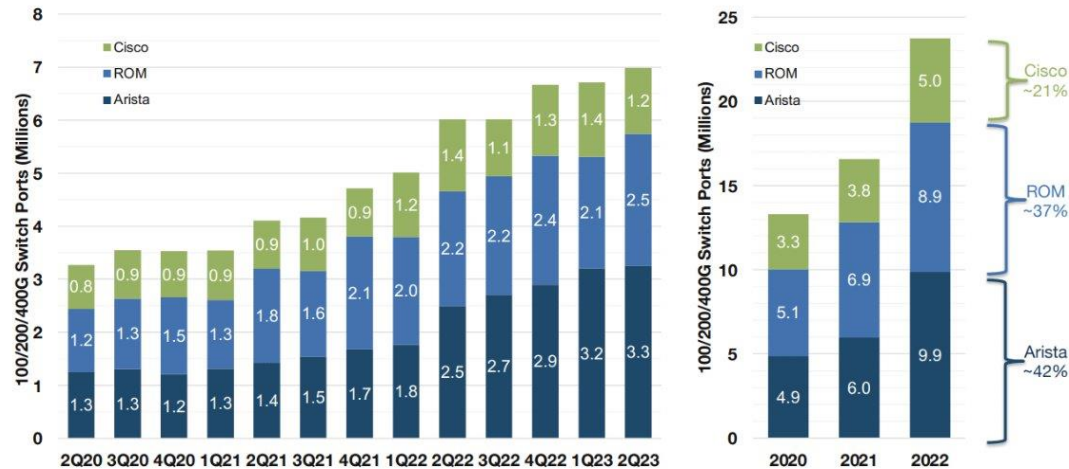
	Arista Networks	Cisco Systems	Juniper Networks	Dell Technologies	Hewlett Packard Enterprise
Revenue (Billions) (2024)	\$5.07	\$39.13	\$3.67	\$71.64	\$21.67
Revenue growth (YoY)	17.36%	-9.76%	-12.62%	3.99%	-0.51%
EBITDA Margin (%) (Q4 2024)	44.22%	27.61%	11.26%	22.5%	16.42%
EPS – Diluted (Q3 2024)	\$2.33	\$0.68	\$0.28	\$1.58	\$0.38
Gross Margin	64.15%	63.44%	57.54%	21.78%	34.15%
FCF Net of Dividends (Latest Release)	1.17	1.85	0.09	0.6	0.44



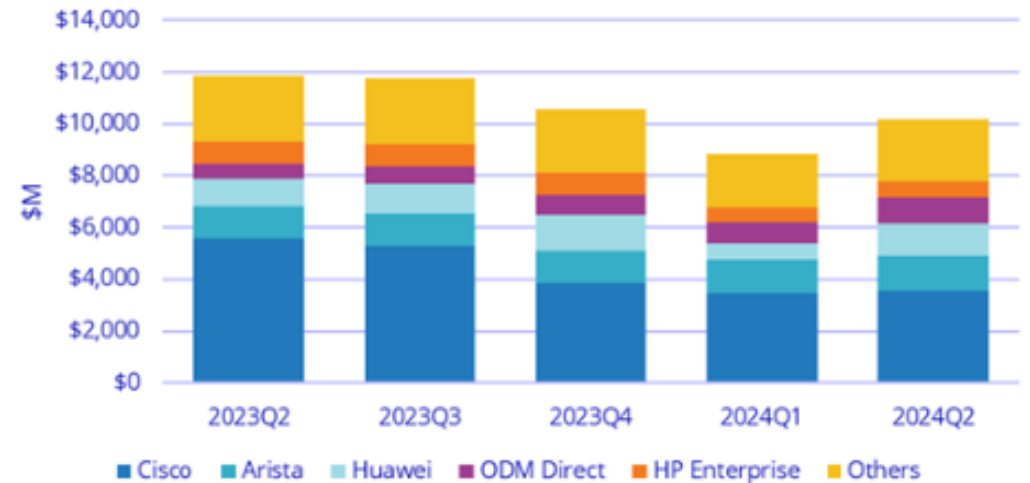
# Thesis 2: Superior Agility and Competitive Positioning

- Data Center-Driven Growth:** Arista Networks leverages the increasing demand for high-speed Ethernet, 200/400GbE switches, up 104.3% YoY, driven by AI workloads and cloud adoption. The datacentre segment grew 7.6% YoY in Q2 2024, reflecting sustained demand for AI-ready infrastructure.
- ODM Sales Surge Align with Arista's Strategy:** ODM direct sales saw 66.9% YoY growth, now accounting for 19.1% of the data center market. This shift towards cost-effective, custom hardware from hyperscalers aligns perfectly with Arista's strategy of offering innovative, software-driven solutions to meet evolving demand.
- Focused on High-Growth Data Center Markets:** The data centre portion of the Ethernet switch market grew 7.6% YoY, reflecting the sustained demand for AI-ready infrastructure, while non-datacentre revenue declined 28.9% YoY. Arista's deliberate focus on the data centre market positions it ahead of competitors in capturing high-growth, AI-driven opportunities.

Arista's Market Leadership in 100G/200G/400G Data Center High Speed Ethernet Port Analysis



Worldwide Top 5 Ethernet Switch Companies, 2023Q2 - 2024Q2 Revenue (\$M)



# Thesis 3: Specialised, Developing Product and Savvy Capital Allocation

ANET is well-placed to establish significant shares of growing markets due to **high margins, FCF growth** and a **specialised, developing product**



**Ultra-low latency**



**Unified EOS software**



**Highly modular and scalable**



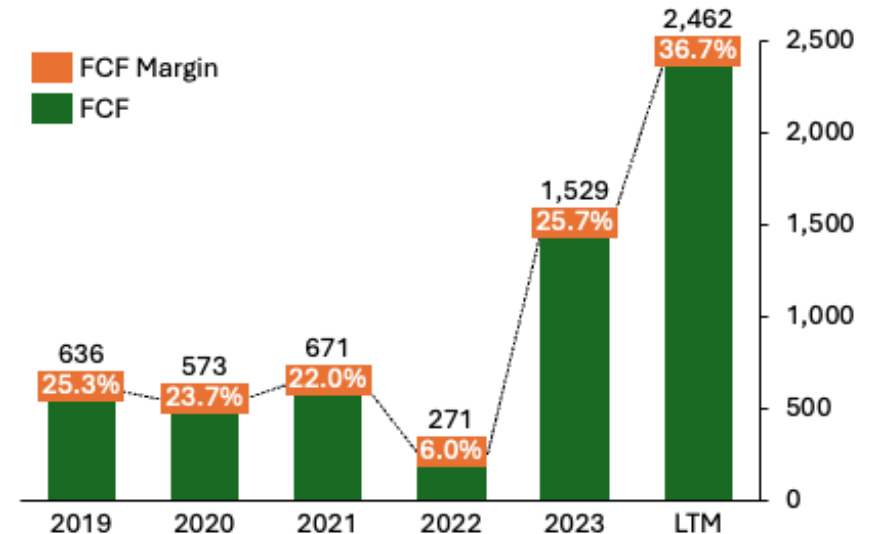
**Development of CloudVision Platform**



**Highest-quality hardware and service**

"Our future success is dependent upon our ability to continue to evolve and adapt to our rapidly changing environment. We must also continue to develop market-leading products and software features that address the changing needs of our existing and new customers, and increase sales in the cloud, AI and enterprise data center switching, and campus workspace markets."  
(ANET 10-K 2023)

**ANET FCFs, 2019-LTM**



# Thesis 3: Specialised, Developing Product and Savvy Capital Allocation

Arista continues to execute smart business decisions throughout its management and operations




- Competent investment in financial assets
- Low effective tax rate due to efficient asset locations and R&D tax credits
- Investment in and alignment of supply chain with geopolitical risk
- Management displays understanding of future market trends and a necessity to capitalize
- High operating margins
- Possibility of acquisitions

	September 30, 2024			
	Level I	Level II	Level III	Total
<b>Financial Assets:</b>				
<i>Cash Equivalents:</i>				
Money market funds	\$ 1,372,386	\$ —	\$ —	\$ 1,372,386
Commercial paper	—	2,994	—	2,994
U.S. government notes	54,889	—	—	54,889
Agency securities	—	24,997	—	24,997
	<u>1,427,275</u>	<u>27,991</u>	<u>—</u>	<u>1,455,266</u>
<i>Marketable Securities:</i>				
Commercial paper	—	25,058	—	25,058
Certificates of deposits <sup>(1)</sup>	—	—	—	—
U.S. government notes	1,506,033	—	—	1,506,033
Corporate bonds	—	1,968,281	—	1,968,281
Agency securities	—	753,877	—	753,877
	<u>1,506,033</u>	<u>2,747,216</u>	<u>—</u>	<u>4,253,249</u>
<i>Other Assets:</i>				
Money market funds - restricted	1,399	—	—	1,399
<b>Total Financial Assets</b>	<u>\$ 2,934,707</u>	<u>\$ 2,775,207</u>	<u>\$ —</u>	<u>\$ 5,709,914</u>



# DCF Valuation: Base Case Assumptions

Implied upside of 21.4% using a weighted-average target price, assuming an entry price of \$97.50

Assumptions		Metric	Projection	Rationale
Input	Value			
Risk Free	4.50%	Revenue CAGR (2024-2033)	25%	Continued growth as ANET grows its market share and establishes itself within more nascent markets
Market Risk Premium	5.50%	EBIT Margins (2024+)	35.7%-38.6%	Margins should remain relatively stable due to ANET's established reputation, strong existing customer relationships, and low CapEx rate
Levered Beta	0.85			
Pre-Tax Cost of Debt	5.10%			
Tax Rate	13.00%	Terminal EBITDA Multiple	12x	Conservative compared to industry peers, accounting for eventual growth rate stagnation in some markets as ANET matures
WACC	10.05%			
Key Growth Drivers		Perpetuity Growth Rate of Unlevered FCFs (2034+)	3%	Factors in the outsized growth rates of the AI infrastructure and networking markets, adjusted in line with long-term economy-wide growth rates
 AI Market Boom				
 Increasing Market Penetration				
 High Bandwidth Leadership				



# DCF Valuation: Output and Scenario Analysis

Implied upside of 21.4% using a weighted-average target price, assuming an entry price of \$97.50

Case	Target Price	Probability	Assumptions	Scenario
Bear	<b>\$88.58</b>	<b>8%</b>	Revenue CAGR (2024-2033): <b>21.1%</b> EBITDA Margin (2025-2033): <b>38.6%</b> Terminal Multiple: <b>11.7x</b>	<ul style="list-style-type: none"> <li>Lower-than-expected market growth due to macroeconomic headwinds</li> <li>Lack of customer base expansion</li> <li>Competitors strengthen their products to reduce ANET's economic moat</li> </ul>
Base	<b>\$118.41</b>	<b>80%</b>	Revenue CAGR (2024-2033): <b>25%</b> EBITDA Margin (2025-2033): <b>40.3%</b> Terminal Multiple: <b>12x</b>	<ul style="list-style-type: none"> <li>AI and networking markets exhibit expected growth trajectories – ANET continues to grow alongside selected peers</li> <li>Continued efficient capital allocation and steady reinvestment</li> </ul>
Bull	<b>\$138.03</b>	<b>12%</b>	Revenue CAGR (2024-2033): <b>26.5%</b> EBITDA Margin (2025-2033): <b>42%</b> Terminal Multiple: <b>12.3x</b>	<ul style="list-style-type: none"> <li>Arista expands its customer base rapidly, onboarding further Fortune 100 companies</li> <li>Competitors struggle to adapt their AI and Ethernet offerings</li> </ul>
<b>Weighted-Average Price</b>		<b>Implied Upside</b>		
<b>\$118.39</b>		<b>21.4%</b>		



# ESG Strengths

Consistent history of ESG improvements across all 3 components throughout periods of uncertainty

## Environmental

### GHG Emissions

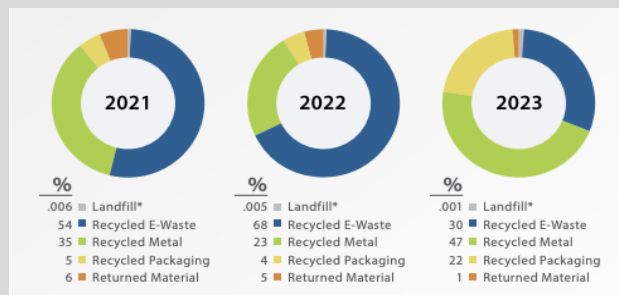
- Arista (2023) has pledged to reduce Scope 1 and 2 GHG emissions of 2.6M metric tons of Carbon Dioxide via renewable energy procurement

### Energy Efficiency

- Attained 50% reduction in power consumption per 100 Gigabytes bandwidth for Generation 5+ products

### Waste Management

- Implemented new waste reduction system to improve landfill accumulation(2024)



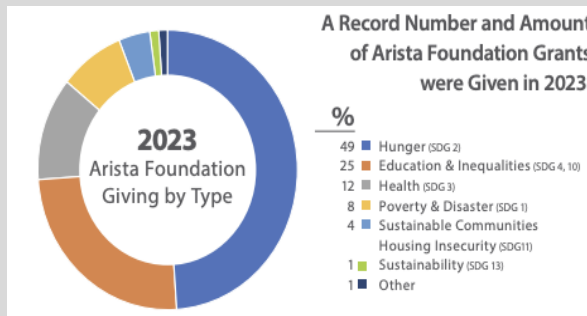
## Social

### Employee Support

- Health, safety and training benefits for employees
  - Disability and competitive life insurance packages

### Community Support

- Establishment of Arista Foundation which has provided scholarships, classrooms and corporate expertise for the needy (2024)
  - Achievement of Record Grant Provisions achieved in 2023



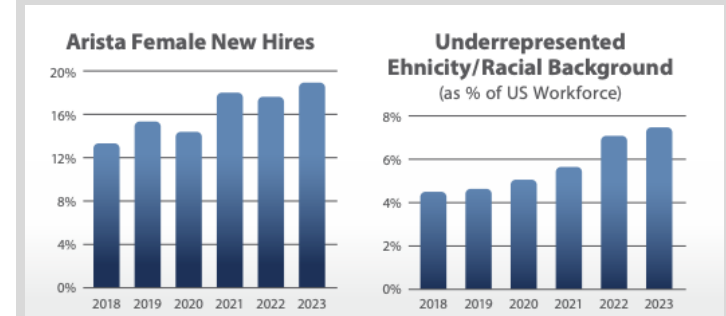
## Governance

### Board Involvement

- Board of Directors is comprised of 75% independent members since 2014
- Specialized ESG and CSR committees

### Ethical Business Conduct

- Proprietary corporate governance framework at IPO in 2014
- Comparatively regular Ethics updates (latest as of October 2021)



# ESG Concerns

Blackelm's proprietary research has identified Governance aspects of ANET to be a laggard

## Environmental

### Active Frameworks

- Absence of actionable Net-Zero roadmap schedule for public viewing
  - Lack of emphasis on hazardous waste reduction

## Social

### Workplace Diversity

- Women and Underrepresented backgrounds held 25% of ANET's BoD (2023)
  - Absence of paid maternity leave

## Governance

### ESG Disclosure Frameworks

- Lack of audit coverage for ESG policies
  - Misalignment with global reporting standards

### Management Distinction

- Dual function of CEO and Chairman (Jayshree Ullal)
  - High concern due to 2024 insider trading
  - Andreas Bechtolsheim (1M + 5 Year Suspension)

### Key

Ratings are to be marked with colour







5	Excellent
4	Above average
3	Average
2	Below average
1	Poor
ARISTA NETWORKS	
<b>Environment</b>	<b>4.28</b>
<b>Social</b>	<b>3.97</b>
<b>Governance</b>	<b>3.48</b>





# ESG Response

ANET's 2023/24 ESG Reports outline actionable tasks to improve ESG metrics (externally and internally)

GOAL	STATUS
 Human Rights Policy	✓ COMPLETE In 2023, Arista published our Human Rights Policy.
 Sustainable Packaging	✓ COMPLETE Achieved success in completing our goal of reducing non-recyclable packaging parts to less than 1% and reduced our foam used to below 10% within packaging assemblies.
 Develop a Greenhouse Gas Inventory Management Plan	✓ COMPLETE Based on the GHG Protocol standard, in 2023 Arista implemented an Greenhouse Gas Inventory Management Plan that includes Scope 1, 2 and 3 emissions.
 DEI - Internal Referral System	🔄 ONGOING In 2023, Arista launched our referral system to increase female representation and sustain progress in improving our gender and underrepresented group diversity of our workforce. Arista will continue to grow the program going forward.
 Align Arista's Tree Planting Initiative with Carbon Neutrality Goals	🔄 ONGOING In 2023, Arista planted over 65,000 trees in India, Tanzania and Central America through global non-profit partnerships with 14 Trees Foundation, Forest Planet and the Eden Reforestation.
 Science Based Greenhouse Gas Goals and Targets	🔄 ONGOING We have partnered with a third party vendor to help us store and manage our Greenhouse Gas Inventory. This will be useful for us to see historical data and set our Science Based Greenhouse Gas Goals and Targets. We work with an external source to verify our Greenhouse Gas Inventory, which will aid our data collection accuracy and efficiency, prior to developing targets.

**ANET CSR Report 2023:** Strong strides in Environmental and Social impacts alongside material declarations to improve Governance aspects (business management, engagement, regulatory compliance) both internal and externally

ARISTA'S MATERIAL ESG TOPICS	SCOPE	TOPIC BOUNDARY	
		INSIDE ARISTA	OUTSIDE ARISTA
Responsible Supply Chains	<ul style="list-style-type: none"> <li>Supply chain labor and human rights</li> <li>Conflict minerals</li> <li>Responsible materials sourcing</li> </ul>		✓
Ethical Business Practices	<ul style="list-style-type: none"> <li>Ethical conduct, including anti-corruption and anti-competitive behavior</li> </ul>	✓	✓
Product Materials	<ul style="list-style-type: none"> <li>Restricted substances</li> </ul>	✓	✓
Employee Morale & Engagement	<ul style="list-style-type: none"> <li>Employee wellness and culture</li> <li>Community engagement</li> </ul>	✓	
Climate Change	<ul style="list-style-type: none"> <li>GHG emissions reduction</li> <li>Energy consumption</li> </ul>	✓	✓
Diversity & Inclusion	<ul style="list-style-type: none"> <li>Inclusive company culture</li> </ul>	✓	✓
Product & Packaging Design	<ul style="list-style-type: none"> <li>Product Design for Environment philosophy</li> <li>Product Energy Efficiency</li> <li>Hazardous materials reduction, compliance, and stewardship</li> <li>Product packaging</li> </ul>	✓	✓
Regulatory Compliance	<ul style="list-style-type: none"> <li>Social and environmental regulatory compliance</li> </ul>	✓	✓
Waste Management	<ul style="list-style-type: none"> <li>Recycling and reuse</li> <li>E-waste</li> </ul>	✓	✓



# ESG Performance

ANET boasts strong and consistent growth in ESG metrics across 3 industry standard ESG rating agencies

## Controversy Free

Banned:

- Controversial Weapons
- Gambling
- Tobacco
- Alcohol

ESG Risk Rating

COMPREHENSIVE ?

13.7

Low Risk



Arista was upgraded in June, 2024.

## ESG Rating history

MSCI ESG Rating history data over the last five years or since records began.



## MSCI ESG RATINGS

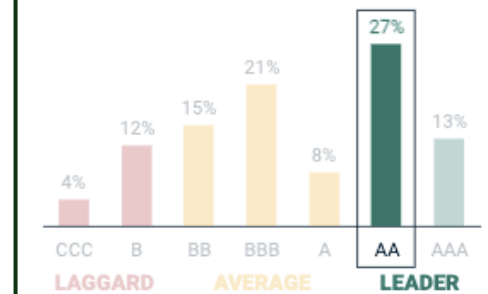
AA



Arista is a **leader** among 122 companies in the **technology hardware, storage & peripherals industry**.

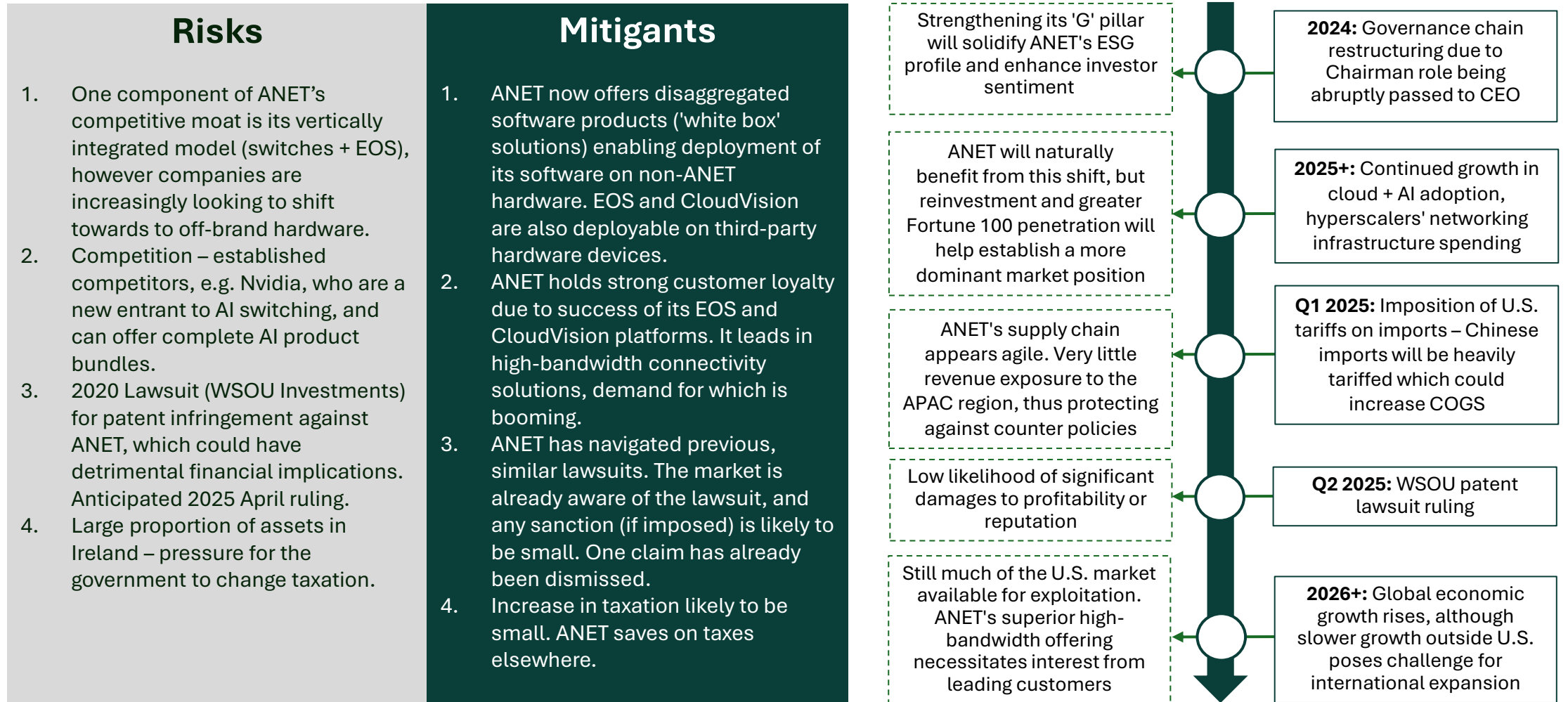
## ESG Rating distribution in relation to industry peers

Universe: Technology Hardware, Storage & Peripherals, (122 companies)



# Event Path, Risks and Mitigants

ANET is better placed to face legal, macroeconomic and consumer preference-related risks than most industry peers



# Appendix

# DCF Valuation: Base Case

## PROJECTED CASH FLOWS

(USD in millions, except per share data)

	Fiscal Year Ending December															CAGR
	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	
Total Revenue	2,410.7	2,317.5	2,948.0	4,381.3	5,860.2	6,967.7	8,988.4	11,415.2	14,839.8	18,846.6	23,369.8	28,511.1	34,783.5	42,435.9	51,771.8	25.0%
Annual Growth		(3.9%)	27.2%	48.6%	33.8%	18.9%	29.0%	27.0%	30.0%	27.0%	24.0%	22.0%	22.0%	22.0%	22.0%	
Cost of Revenue	866.4	835.6	1,067.3	1,705.6	2,229.9	2,651.3	3,420.2	4,343.7	5,646.8	7,171.4	8,892.6	10,848.9	13,235.7	16,147.5	19,700.0	
Margin	35.9%	36.1%	36.2%	38.9%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	
EBITDA, Lease Adjusted	867.4	769.9	1,006.1	1,622.6	2,361.1	2,807.4	3,621.5	4,599.4	5,979.2	7,593.5	9,416.0	11,487.5	14,014.7	17,098.0	20,859.5	25.0%
Annual Growth		(11.2%)	30.7%	61.3%	45.5%	18.9%	29.0%	27.0%	30.0%	27.0%	24.0%	22.0%	22.0%	22.0%	22.0%	
Margin	36.0%	33.2%	34.1%	37.0%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%	
Less: Depreciation and Amortization	61.6	66.0	81.3	95.5	103.9	115.6	286.6	518.9	621.1	721.0	809.9	885.4	955.0	1,012.4	1,048.7	27.8%
% of Capital Expenditure	391.4%	1346.6%	154.6%	290.7%	261.3%	263.3%	245.3%	227.3%	209.3%	191.3%	173.3%	155.3%	137.3%	119.3%	101.3%	
EBIT	805.8	703.9	924.7	1,527.1	2,257.2	2,691.8	3,334.9	4,080.5	5,358.0	6,872.5	8,606.1	10,602.0	13,059.7	16,085.6	19,810.8	24.8%
Annual Growth		(12.6%)	31.4%	65.1%	47.8%	19.3%	23.9%	22.4%	31.3%	28.3%	25.2%	23.2%	23.2%	23.2%	23.2%	
Margin	33.4%	30.4%	31.4%	34.9%	38.5%	38.6%	37.1%	35.7%	36.1%	36.5%	36.8%	37.2%	37.5%	37.9%	38.3%	
Less: Income Taxes	(104.8)	(91.5)	(120.2)	(198.5)	(293.4)	(349.9)	(433.5)	(530.5)	(696.5)	(893.4)	(1,118.8)	(1,378.3)	(1,697.8)	(2,091.1)	(2,575.4)	
Unlevered Net Income	701.0	612.4	804.5	1,328.6	1,963.8	2,341.8	2,901.4	3,550.0	4,661.5	5,979.1	7,487.3	9,223.8	11,362.0	13,994.5	17,235.4	24.8%
Plus: Depreciation and Amortization	61.6	66.0	81.3	95.5	103.9	115.6	286.6	518.9	621.1	721.0	809.9	885.4	955.0	1,012.4	1,048.7	
Less: Capital Expenditures and Additional Lease	(15.8)	(4.9)	(52.6)	(32.9)	(36.9)	(43.9)	(116.8)	(228.3)	(296.8)	(376.9)	(467.4)	(570.2)	(695.7)	(848.7)	(1,035.4)	42.1%
Margin	(0.7%)	(0.2%)	(1.8%)	(0.7%)	(0.6%)	(0.6%)	(1.3%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	
Less: Additions to Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Less: Increase in Working Capital	40.8	(85.7)	(6.9)	(912.8)	(15.9)	(18.9)	(24.4)	(31.0)	(40.3)	(51.2)	(63.5)	(77.4)	(94.5)	(115.3)	(140.6)	25.0%
Margin	1.7%	(3.7%)	(0.2%)	(20.8%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	
Unlevered Free Cash Flow	787.7	587.8	826.4	478.4	2,014.8	2,394.6	3,046.7	3,809.6	4,945.5	6,272.0	7,766.3	9,461.8	11,526.8	14,042.9	17,108.1	24.4%
Annual Growth		(25.4%)	40.6%	(42.1%)	321.1%	18.8%	27.2%	25.0%	29.8%	26.8%	23.8%	21.8%	21.8%	21.8%	21.8%	

### Implied Share Price

		% of TEV	% of MVE
PV of 2024 Free Cash Flow Stub(1)	163	0.1%	0.1%
PV of Free Cash Flows 2025-2033	45,540	32.1%	30.5%
PV of Terminal Value(1)	96,106	67.8%	64.4%
Enterprise Value	141,810	100.0%	95.1%
Less:			
Total Debt	(70)		(0.0%)
Preferred Stock	0		0.0%
Minority Interest	0		0.0%
Plus:			
Cash and Equivalents	7,428		5.0%
Equity Value	149,169		100.0%
Shares Outstanding	1,259.8		
Implied Share Price	118.41		
Entry Price	97.50		
Premium/(Discount) to Current Price	21.4%		

### DCF Assumptions

Weighted Average Cost of Capital	10.05%
Terminal EBITDA Multiple	12.0x
Implied Perp. Growth Rate of Unlevered Free Cash Flow	3.0%
Tax Rate	13.0%



# Comparable Company Analysis

Company	Ticker	Market Data (Current)					Financials (TTM)			Multiples		
		Share Price	Shares Outstanding (m)	Net Debt (\$m)	EV (\$m)	EPS (\$)	Revenue (\$m)	EBITDA (\$m)	Net Income (\$m)	P/E	EV/Revenue	EV/EBITDA
Arista Networks	ANET	\$370.47	1,259.8	-7,358.6	109,497.2	8.51	6,613.1	2,833.3	2,664.7	43.5x	16.6x	38.6x
Juniper Networks, Inc.	JNPR	\$35.61	331	584	12,374	1.9	5,034	499	629	18.7x	2.5x	24.8x
Calix, Inc.	CALX	\$33.23	66.3	9.2	1,925.3	(0.3)	890	(17)	(18)	-118.7x	2.2x	-112.6x
Ciena Corporation	CIEN	\$66.58	144.4	383.6	9,999.6	2.5	4,020	364	360	26.7x	2.5x	27.4x
Marvell Technology, Inc.	MRVL	\$88.71	866.2	3,565.2	80,405.8	2.0	5,279	997	1,767	43.5x	15.2x	80.7x
HMS Networks AB	HMS	\$34.00	50.2	228.5	1,925.5	0.7	272	63	346	52.3x	7.1x	30.7x
Fortinet, Inc.	FTNT	\$91.88	766.5	(2,623.8)	67,797.9	2.4	5,711	1,728	1,809	38.9x	11.9x	39.2x
Lumentum Holdings Inc.	LITE	\$80.54	68.7	1,705.6	7,238.7	2.2	1,379	(68)	151	36.6x	5.3x	-105.8x
Motorola Solutions, Inc.	MSI	\$490.35	167.1	5,167.0	87,129.6	14.2	10,655	3,152	2,378	34.5x	8.2x	27.6x
Accelink Technologies	002281	\$5.67	794.2	59.2	4,171.3	0.1	982	126	670	51.5x	4.2x	33.2x
Viasat, Inc.	VSAT	\$7.28	128	5,734	6,742	0.2	4,527	1,255	31	30.3x	1.5x	5.4x
Min										18.7x	1.5x	5.4x
1st Quartile										28.5x	2.4x	24.8x
Average										37.0x	6.0x	26.9x
Median										36.6x	4.8x	27.6x
3rd Quartile										47.5x	9.1x	33.2x
Max										52.3x	15.2x	39.2x

Note: All anomalies (in red text) were excluded from implied valuation calculations; calculations performed before 4:1 stock split



# Comparable Company Analysis

Weak Case - Arista Networks Valuation <i>(figures in USDm, unless stated otherwise)</i>	P/E	EV/Revenue	EV/EBITDA
Implied Enterprise Value		15,767.1	70,330.1
Net Debt		(7,358.6)	(7,358.6)
Implied Market Value	76,040.3	23,125.7	77,688.7
Shares Outstanding	1,259.8	1,259.8	1,259.8
Implied Share Price	\$60.36	\$18.36	\$61.67

Base Case - Arista Networks Valuation <i>(figures in USDm, unless stated otherwise)</i>	P/E	EV/Revenue	EV/EBITDA
Implied Enterprise Value		31,414.3	78,319.9
Net Debt		(7,358.6)	(7,358.6)
Implied Market Value	97,552.2	38,772.9	85,678.5
Shares Outstanding	1,259.8	1,259.8	1,259.8
Implied Share Price	\$77.43	\$30.78	\$68.01

Strong Case - Arista Networks Valuation <i>(figures in USDm, unless stated otherwise)</i>	P/E	EV/Revenue	EV/EBITDA
Implied Enterprise Value		60,185.7	93,947.1
Net Debt		(7,358.6)	(7,358.6)
Implied Market Value	126,614.2	67,544.3	101,305.7
Shares Outstanding	1,259.8	1,259.8	1,259.8
Implied Share Price	\$100.50	\$53.62	\$80.41

Note: Calculations performed before 4:1 stock split



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