ANET gideon lens

Arista Networks (ANET) - Gideon-Lens Equity Research

Report date: 2026-08-25 SGT **Analyst:** GPT-5.6 Sol High, Production ER2 targeted repair **Price anchor:** USD 188.15 per XNYS:ANET common share, completed 2026-08-24 close **Market capitalization:** approximately USD 237.3 billion using 1,261.2 million point-in-time common shares **Fiscal year end:** December 31 **Report ID:** ANET-ER2-20260825-pulse-cio-20260825T120221+0800

What changed from the previous report and why

Previous report: ANET-ER2-20260819-repair-20260819T213150+0800; 2026-08-19; `C:\Users\Admin\OneDrive\GPT\ER 2.0\Arista Networks\raw\pulse-cio-20260825T120221+0800\prior_active_snapshot\ANET_gideon_lens.md`; SHA-256 `0890d7d6c377dc228569493a040a1628bd9504ff91d6c043211c977d84032881` **Current report:** ANET-ER2-20260825-pulse-cio-20260825T120221+0800; 2026-08-25; price anchor USD 188.15 as of 2026-08-24

Area	Previous report	Current report	What changed and why	Decision impact
Price anchor	USD 193.18 on 2026-08-18	USD 188.15 on 2026-08-24	Market price fell 2.60%	Returns improve modestly but remain far below the hurdle
Quant denominator	1,275.533M TTM diluted shares; USD 3.170909 EPS	1,275.558356M; USD 3.1708467 EPS	Repair used the official standalone Q4 2025 diluted-share denominator of 1,275.8M	Current P/E is 59.3375x; no operating forecast changed
ER2 gates	PASS; Management PASS; Moat YELLOW; P/E-15 FAIL	Same	All quantitative, statutory, data, synthesis and valuation gates were revalidated	Underwriting verdict remains PASS, not BUY
P/E-15 test	Base cushion -54.48%	Base cushion -53.26%	Lower price improves the cushion; Base EPS remains USD 5.8625	Fixed valuation gate still fails decisively
Gross shareholder returns	Bear/Base/Bull -15.25%/+0.63%/+13.43%; expected +0.45%	-14.80%/+1.16%/+14.03%; expected +0.98%	Same 24x/34x/44x exits and terminal wealth, lower entry price	Expected return remains economically inadequate
Net-SGD returns	Bear/Base/Bull -16.36%/+0.75%/+15.11%; expected +0.90%	-15.80%/+1.43%/+15.88%; expected +1.58%	Fresh 1.2692 SGD/USD starting FX, scenario FX and 15bp entry/exit costs	No current-price Pulse allocation is earned
Pulse fit	Portfolio context unavailable	Current NAV and covariance context reviewed	No direct ANET holding; 48.36% ANET volatility and 0.3271 portfolio correlation; a standardized 3% diagnostic raises volatility 0.18 points	Sector diversification is superficial; return and economic-overlap tests fail
Audited score	64/100; 64/80; 0/20	Same	Independent CSA replay reproduced all returns and retained strict scoring reductions	Classification remains Reject

Bottom line: the repair is hash-valid and the return bridge is complete, but the economic conclusion does not improve enough to matter. Arista remains an unusually profitable network platform with strong execution and a real EOS-centered moat. At USD 188.15, however, the Base case earns only 1.16% gross USD and 1.43% net SGD annually, while probability-weighted returns are 0.98% and 1.58%. That asymmetry is not strong enough to earn a Pulse allocation.

VERDICT BLOCK

ER2 underwriting verdict: PASS **CIO actionability:** PASS - no allocation **Score-implied classification:** Reject **Trade execution authorized:** NO

Gate	Result	Evidence-based conclusion
Management	PASS	Strong execution and capital discipline; succession, incentives and dilution remain monitors
Moat	YELLOW	EOS, CloudVision, qualification and support are valuable; 2046 platform control is not yet proven
P/E <= 15 on confident TTM+5 EPS	FAIL	Base terminal EPS of USD 5.8625 supports USD 87.94 at 15x, 53.26% below price
Audited Compounder Score	64/100	High operating quality does not offset insufficient valuation evidence
Audited Business Quality	64/80	Unit economics and runway evidence do not earn the maximum claims
Audited 20% Return UW	0/20	A 20% Base IRR requires USD 13.7699 terminal EPS or a 79.8598x exit P/E

One-line thesis: Arista is a rare high-return network platform, but USD 188.15 capitalizes more growth and durability than the governed five-year cases support.

Security return underwriting

The primary method is P/E in every scenario, for probability weighting, and for the net-SGD diagnostic. Current TTM statutory diluted EPS is USD 3.1708467, giving a 59.337463x current P/E. The exact horizon is 2026-06-30 to 2031-06-30, or 5.0 years. Scenario probabilities are 30% Bear, 50% Base and 20% Bull. Probability-weighted IRR is the CAGR of probability-weighted terminal shareholder wealth; scenario IRRs are never averaged.

Mandatory return bridge	Bear	Base	Bull	Probability weighted
Probability	30.00%	50.00%	20.00%	100.00%
Terminal statutory diluted EPS	USD 3.5195665	USD 5.8624887	USD 8.2427657	n/a
Exit P/E	24.00x	34.00x	44.00x	same scenario method
Terminal diluted shares	1,305.375991M	1,288.105570M	1,281.705445M	n/a
Terminal equity value	USD 110.264583B	USD 256.751148B	USD 464.851098B	n/a
Terminal equity value/share	USD 84.469596	USD 199.3246158	USD 362.6816908	USD 197.53952486 expected wealth
Cumulative distributions/share	USD 0.00	USD 0.00	USD 0.00	USD 0.00
Terminal shareholder wealth/share	USD 84.469596	USD 199.3246158	USD 362.6816908	USD 197.53952486
Gross USD annualized IRR	-14.80%	+1.16%	+14.03%	+0.98%

Terminal cash and securities are USD 15B/22B/30B and terminal debt is USD 0 in Bear/Base/Bull. Lease and operating-claim economics remain inside statutory EPS. Because P/E values the common-share earnings claim directly, no second net-cash, debt, lease or non-operating-asset adjustment is added. Zero distributions are a clearly labeled diagnostic tied to the governed terminal values, not an assertion that Arista can never distribute cash.

Bear-case operating and return bridge

Bear case	Start	2031-06-30	CAGR/change	Underwriting basis
Revenue	USD 10.540800B	USD 15.529324B	8.06%	Product fades to 3% and Service to 7% amid concentration and mix pressure
Operating margin	43.14%	36.50%	-6.64 points	Pricing, commitments and weaker absorption compress margin
Operating income	USD 4.546900B	USD 5.668203B	4.51%	Exact statutory Income from operations; no plug

Bear case	Start	2031-06-30	CAGR/change	Underwriting basis
Diluted shares	1,275.558356M TTM	1,305.375991M	dilution	Employee issuance exceeds modest buyback retirements
EPS	USD 3.1708467	USD 3.5195665	2.11%	Same listed common-share denominator
Shareholder wealth	USD 188.15	USD 84.469596	-14.80% IRR	24x P/E plus zero distributions

Base-case operating and return bridge

Base case	Start	2031-06-30	CAGR/change	Underwriting basis
Revenue	USD 10.540800B	USD 21.307829B	15.12%	AI, campus and Service scale before terminal growth moderates
Operating margin	43.14%	42.80%	-0.34 points	Scale offsets hardware mix and component pressure
Operating income	USD 4.546900B	USD 9.119751B	14.94%	Statutory Income from operations
Diluted shares	1,275.558356M TTM	1,288.105570M	dilution	Buybacks partly offset explicit employee-plan issuance
EPS	USD 3.1708467	USD 5.8624887	13.08%	Reconciled below-line, tax and share assumptions
Shareholder wealth	USD 188.15	USD 199.3246158	+1.16% IRR	34x P/E plus zero distributions

Bull-case operating and return bridge

Bull case	Start	2031-06-30	CAGR/change	Underwriting basis
Revenue	USD 10.540800B	USD 26.772158B	20.49%	AI Ethernet, 1.6T, Scale-Up, campus and Service stay exceptional
Operating margin	43.14%	46.50%	+3.36 points	Supply execution and software leverage outweigh hardware mix
Operating income	USD 4.546900B	USD 12.449054B	22.32%	Revenue times modeled statutory margin
Diluted shares	1,275.558356M TTM	1,281.705445M	dilution	Repurchases nearly offset employee-plan issuance
EPS	USD 3.1708467	USD 8.2427657	21.05%	Same listed common-share denominator
Shareholder wealth	USD 188.15	USD 362.6816908	+14.03% IRR	44x P/E plus zero distributions

CIO actionability

Net-SGD returns use the same P/E terminal wealth, a source-bound 1.2692 SGD/USD starting FX rate dated 2026-08-21, terminal FX of 1.20/1.29/1.38 SGD/USD, 15bp entry and exit costs, zero modeled distributions, and no capital-gains tax because the investor wrapper is unverified. Values below display exactly two decimals; JSON retains full precision.

CIO measure	Bear	Base	Bull	Probability weighted
Terminal net-SGD wealth/share	SGD 101.21	SGD 256.74	SGD 499.75	SGD 258.68
Net-SGD annualized IRR	-15.80%	+1.43%	+15.88%	+1.58%

Actionability test	Result	Reason
10% mandate hurdle	FAIL	Base and expected net-SGD returns are far below 10%
15% stretch hurdle	FAIL	Only Bull clears; Base and expected returns fail
Downside acceptable	FAIL	Bear loses 15.80% annually for five years
Portfolio fit	FAIL	No direct overlap, but AI/hyperscaler/network factor overlap is material and expected return is below the portfolio's 12.4% modeled Base

Actionability test	Result	Reason
Sizing ceiling	none	This report has no sizing authority
Owner approval	required	Research never authorizes an order or mutation

The newest stable completed Pulse publication has NAV SGD 2,892,455.5, whole-portfolio modeled Base return 12.4%, Bear -14.6%, covariance volatility 12.3253% and 6.7575 effective risk positions. Technology is 23.8% versus VT at 31.2%, and AI hardware/semiconductors are 4.6% versus 14.9%, so ANET superficially fills an underweight. That label is not independent risk: ANET depends on AI infrastructure spending, hyperscaler budgets, merchant silicon and network architecture. Its annualized volatility is 48.3560% and correlation with the portfolio is 0.327132. A standardized 3% diagnostic, explicitly not a sizing recommendation, raises portfolio volatility to 12.5045%, or 0.1792 points. With expected net-SGD return of only 1.58%, diversification cannot rescue the economics.

Stage 0 and disqualifier sweep

Today is 2026-08-25 SGT. The latest quarter ended 2026-06-30. TTM is Q3 2025 plus Q4 2025 plus Q1 2026 plus Q2 2026. The horizon is exactly five calendar years to 2031-06-30.

ROIC, FCF conversion, leverage and end markets are GREEN. Governance, AI disruption and pricing power are YELLOW. Arista has no gross debt, strong cash conversion and attractive secular markets. The limitations are customer concentration, succession and compensation monitoring, architectural control, incomplete Product/Service unit economics, non-exclusive merchant silicon and sparse direct price-realization evidence.

Management and moat

Management is PASS. Jayshree Ullal and the technical leadership have produced exceptional organic growth, margins, cash conversion and balance-sheet discipline. Recent guidance execution is strong. The offsets are succession visibility, planned insider selling, a modest say-on-pay result, incentive design and repurchases that mainly offset dilution.

The moat and 2046 test are YELLOW. EOS, CloudVision, NetDL, qualification, automation, support and a consistent operating model create genuine switching costs. Yet two customers were 42% of FY2025 revenue, merchant silicon is available to competitors, and SONiC, white-box systems, NVIDIA integration and hyperscaler in-sourcing can shift the profit pool. Arista can remain highly profitable in 2046, but durable Scale-Up relevance and control-plane ownership are not proven enough for PASS.

Synthesis and valuation screen

All 11 synthesis tie-outs pass. Bear/Base/Bull terminal revenue is USD 15.5293B/USD 21.3078B/USD 26.7722B; operating income is USD 5.6682B/USD 9.1198B/USD 12.4491B. Terminal diluted EPS is USD 3.5196/USD 5.8625/USD 8.2428. At 15x those values are USD 52.79/USD 87.94/USD 123.64, producing cushions of -71.94%/-53.26%/-34.29% to USD 188.15. Every case fails the fixed entry screen.

The five-foundation valuation preflight is clear. P/E is suitable because statutory diluted EPS is positive and fully reconciled to the listed common unit. Current and terminal denominators are comparable. All material claims, dilution, repurchases, cash, debt, leases and operating commitments are inventoried. Exit P/Es of 24x/34x/44x were selected from a source-bound historical replay before return calculation and are not capped by the current 59.3375x P/E.

Independent audit and red team

CSA reduced the proposed 69/100 score to 64/100: Business Quality fell from 67/80 to 64/80 because unit economics and runway evidence were incomplete, and Return UW fell from 2/20 to 0/20 because a 20% Base return requires a 79.8598x exit P/E. CSA independently reproduced every gross and net-SGD return, terminal-wealth CAGR, cost/FX bridge and volatility diagnostic. Double-count checks passed.

Red team classified the return-model objection IMMATERIAL. The strongest bear case is not that Ethernet disappears, but that a hyperscaler changes one fabric generation while USD 9.7B of commitments prevent a clean cost reset. A severe Base sensitivity with 12% revenue CAGR, 39% operating margin, 23% tax and Bear shares produces USD 4.5094 EPS, -4.01% gross IRR and -3.76% net-SGD IRR. A 28x Base exit produces USD 164.15 terminal wealth and -2.69% gross IRR. These are material downside sensitivities, but they do not reveal a defect in the governed method or arithmetic; they reinforce no allocation.

Kill, review and upgrade criteria

- Structural-break signal: GAAP gross margin below 58% for four consecutive quarters within the next six quarters.
- Re-underwrite if annual top-two customer concentration exceeds 50% or Scale-Up/1.6T production slips beyond 2027 without a replacement vector.
- A price-only trigger is insufficient. Any upgrade requires Base EPS evidence to remain intact and primary evidence that Scale-Up and control-plane relevance are durable.
- The diagnostic Base maximum price for a 20% IRR is USD 80.10; this is not a target, order instruction or authorization.

Authority and final conclusion

This Production ER2 answers the queued research question: **No.** The repaired, hash-valid package does not produce current-price net-SGD asymmetry strong enough to earn a Pulse allocation. ER2 underwriting remains PASS because the company clears the operating-quality gates, but valuation fails, the audited classification is Reject, portfolio fit is FAIL and CIO actionability is PASS with no allocation. No trade, ranking, sizing, broker instruction, message, BUY queue entry or portfolio mutation is authorized.

Arista Networks (ANET) — Institutional Company Primer

Run: `pulse-cio-20260815T000100+0800` **Information cutoff:** 2026-08-15 00:11 SGT **Financial anchor:** TTM ended 2026-06-30; calendar fiscal year ending December 31 **Forward-horizon convention for the full ER2:** 2031-06-30, exactly five calendar years after the TTM anchor

Orientation snapshot

Arista Networks sells the high-speed switching, routing, wireless, network-management, observability, and support infrastructure that connects modern data centers, artificial-intelligence clusters, campuses, branches, and wide-area networks. The investment case is not simply “more switches.” Its economic proposition is that customers can run many types of network on one consistent software architecture—Extensible Operating System (EOS), the Network Data Lake (NetDL), and CloudVision—while selecting purpose-built hardware that uses commercially available merchant silicon. That combination seeks to deliver cloud-scale reliability and automation without the operational fragmentation or proprietary lock-in associated with legacy networking stacks.

The company’s customer-facing vocabulary can be confusing unless three different lenses are separated. First, Arista describes use cases such as AI centers, cloud/data centers, campus, and routing. Second, it describes customer groups such as Cloud and AI Titans, AI and Specialty Providers, and Enterprise. Third, its financial statements disclose **one reportable segment**. Product and Service are revenue lines inside that one segment; they are not separate reportable profit segments. The ER2 quantitative foundation therefore models the consolidated company on the exact statutory profit basis **Income from operations**, while retaining Product and Service only as revenue architecture.

At the TTM anchor, revenue was **$10,540.8 million**, Income from operations was **$4,546.9 million**, net income was **$4,044.6 million**, and diluted EPS was **$3.170909355**. Product contributed **$8,923.9 million**, or **84.7%**, of TTM revenue; Service contributed **$1,616.9 million**, or **15.3%**. The economic profile combines rapid hardware-led growth, a growing support stream, unusually high consolidated margins, very low property-and-equipment intensity, and a debt-free balance sheet. The counterweight is material exposure to a few very large customers, dependence on contract manufacturers and a predominant merchant-silicon supplier, large forward purchasing commitments, technology transitions, and unusually demanding expectations embedded in the scale of recent growth.

1. Business overview: what Arista does and why customers buy

Arista’s products move data between servers, accelerators, storage, users, clouds, and locations. In a conventional enterprise network, switches connect devices inside a local network and routers move traffic between networks. In hyperscale cloud and AI environments, the same basic functions become vastly harder: traffic must cross many thousands of endpoints at very high speed, with predictable latency, minimal packet loss, tight power budgets, rapid failure recovery, and constant software-driven reconfiguration. Arista addresses that problem with fixed and modular Ethernet switching and routing platforms, combined with a common software and operations layer.

The company frames its architecture as “Centers of Data”: AI Centers, Data Centers, Campus Centers, and WAN Centers. Arista is expanding from high-speed cloud data-center switching into adjacent domains where a common operating model matters. A customer that trusts EOS in a data center can extend related tools into AI fabrics, campus networks, interconnect, routing, branches, observability, and security. This raises the value of consistency across the installed base without eliminating competition.

The customer problem is partly bandwidth and partly labor. Hardware has to meet demanding throughput, latency, buffering, density, and power requirements; operators also want automation, telemetry, predictable upgrades, rapid diagnosis, and fewer bespoke tools. Arista’s claimed differentiation joins those attributes to one programmable architecture. The FY2025 filing describes an open, standards-based, state-oriented operating system and centralized database intended to support module independence and resilience. These are issuer claims rather than independently proven moat conclusions. [Source: FY2025 Form 10-K, Item 1](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000013/anet-20251231.htm).

2. Customers and buying motion

Arista sells to three broad customer archetypes. Cloud and AI Titans operate the very largest public-cloud and AI infrastructures. AI and Specialty Providers include internet, service-provider, and emerging AI-cloud operators whose networks can also be extremely large. Enterprise includes financial institutions, governments, media companies, healthcare providers, manufacturers, educational institutions, and other organizations building data-center, campus, branch, and WAN

environments. These categories describe go-to-market and demand, not reportable financial segments.

The buying motion is technical and consultative. Arista uses a direct sales force supported by systems engineers who handle pre-sales architecture and design. It also sells with distributors, value-added resellers, systems integrators, OEM partners, and technology partners. Channel partners commonly secure an end-customer order before ordering from Arista and generally do not hold speculative inventory. This reduces some channel-inventory risk but does not remove shipment, acceptance, or end-demand timing risk.

For large networks, a purchase is rarely a simple spot order. Customers evaluate, test, qualify, and sometimes formally accept products before revenue can be recognized. Large platforms must fit an existing topology, interoperate with third-party systems, meet reliability and security standards, and satisfy a multi-year network roadmap. Deep systems-engineering involvement and joint work on future requirements can create sticky relationships, but the same process makes quarterly order and revenue timing lumpy. Large buyers also command price discounts and can shift capital budgets abruptly between AI and non-AI infrastructure.

The FY2025 filing identifies two individually significant end customers, and the Q2 2026 filing reiterates that large purchases by a limited number of customers create quarterly and annual variability. This appendix does not reproduce customer-concentration percentages because they are not part of the QFR-sealed quantitative foundation; the directional conclusion is nevertheless clear: end-customer concentration is a first-order underwriting issue, not a footnote. The same filing also reports concentration among major resellers in accounts receivable, creating channel and collection exposure in addition to end-demand exposure. [Source: FY2025 Form 10-K, customer and credit-risk disclosures](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000013/anet-20251231.htm); [Q2 2026 Form 10-Q, risk factors](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000175/anet-20260630.htm).

Geographically, Arista is global but remains weighted toward the Americas; non-Americas demand is a meaningful minority and fluctuates with deployment location for large global customers. Manufacturing and fulfillment are more geographically distributed than revenue: products are manufactured internationally and flow through fulfillment facilities in the United States, the Netherlands, and Singapore. This creates diversification of physical flows but also exposure to tariffs, export controls, logistics constraints, and country-specific disruption.

3. Revenue architecture and the one-segment accounting fact

Arista discloses two revenue lines:

Revenue line	FY2025 revenue	FY2025 mix	TTM revenue	TTM mix	Economic content
Product	$7,576.9m	84.1%	$8,923.9m	84.7%	Switching and routing platforms, with embedded EOS functionality, plus related accessories such as optics and cables
Service	$1,428.8m	15.9%	$1,616.9m	15.3%	Primarily renewable post-contract customer support, including technical support, repair/replacement, fixes, patches, and eligible upgrades
Total	$9,005.7m	100.0%	$10,540.8m	100.0%	Consolidated revenue of the single reportable segment

The crucial accounting point is that Product and Service are **revenue lines, not reportable segments**. Management's chief operating decision-maker reviews the business on a consolidated basis, including revenue, gross margin, operating margin, and net income. There are no segment managers accountable for results below the company level. Consequently, no separately disclosed Product or Service operating profit exists, and a primer should not fabricate one by applying assumed margins. The controlling profit basis is consolidated **Income from operations**: **$3,856.1 million** in FY2025 and **$4,546.9 million** for the TTM.

Product revenue remains the primary growth engine. Customers buy fixed-form-factor and chassis systems spanning leaf, spine, universal routing, campus switching, Wi-Fi, and specialized high-performance architectures. EOS is integral to the hardware's essential functionality rather than accounted for as a standalone subscription in the Product line. Service revenue is smaller but strategically important because it grows with the installed base and creates a renewal-oriented relationship after the initial platform sale.

Most initial contracts combine products and post-contract support as distinct performance obligations. Consideration is allocated using standalone selling prices. Product revenue is tied to transfer of control and can be delayed by acceptance provisions. Support revenue is initially deferred and recognized ratably over the contract term because there is no fixed delivery pattern for support requests, fixes, or upgrades. The filing says support contracts are renewable and generally span one to three years. This architecture creates a large deferred-revenue and remaining-performance-obligation base, but exact values are intentionally omitted here because the QFR-sealed foundation does not carry those measures.

4. EOS, software, management, and support architecture

EOS is the unifying operating system across Arista's product portfolio. It runs on standard Linux, exposes programmability through the stack, and stores network state in a centralized database using a publish/subscribe model. That design is intended to isolate software modules, preserve system state, and allow individual processes to restart without bringing down the entire switch. For operators, the practical promise is fewer platform-specific operating systems, consistent APIs, automated diagnostics, and the ability to deploy software features across a broad hardware estate.

NetDL aggregates device state, telemetry, packets, flows, alerts, sensors, and third-party data into a common network-data layer. CloudVision then applies that data to provisioning, automation, monitoring, compliance, and multi-domain operations. Arista AVA adds AI-assisted decision support: identifying anomalies, prioritizing probable issues, anticipating operator questions, and automating selected audits or provisioning changes. Security products extend the platform into network access control, microsegmentation, network detection and response, zero-trust policy, and visibility.

The architectural advantage, if durable, is not that software eliminates hardware economics. Rather, software can make the hardware estate easier to operate and can raise switching costs through workflow, telemetry, automation, accumulated operational knowledge, and consistent fleet behavior. A customer can still replace Arista; Ethernet is standards-based and merchant silicon is available to competitors. Replacement becomes harder when network engineers, automation, failure procedures, observability, and policy controls are organized around EOS and CloudVision across multiple domains.

A-Care support closes the loop. Customers receive direct access to global support engineers, multiple replacement-service levels, fixes, new-feature releases, case management, and community resources. Spare parts are distributed through third-party logistics providers. Economically, support creates a service revenue stream attached to the installed base; operationally, it supplies field feedback that can improve product quality and future software. The support franchise matters because network downtime can have disproportionate economic cost, especially in AI clusters and large cloud environments.

5. Unit economics, cost structure, and capital intensity

Arista's economics are easiest to understand as a high-value design and software company wrapped around outsourced hardware production. Product cost of revenue consists chiefly of inventory procured through contract manufacturers and merchant-silicon vendors, plus freight, tariffs, manufacturing overhead, and inventory/supply-chain management. Service cost consists primarily of personnel and the infrastructure needed to provide global support, repair, and replacement. Consolidated gross margin depends on customer mix, product mix, pricing, merchant-silicon cost, freight and tariffs, component scarcity, and excess or obsolete inventory charges.

At the TTM anchor, revenue of **$10,540.8 million** less cost of revenue of **$3,899.7 million** implies gross profit of **$6,641.1 million** and a **63.0%** gross margin. Operating expenses were **$2,094.2 million**, or **19.9%** of revenue, leaving the sealed statutory **$4,546.9 million** of Income from operations and a **43.1%** operating margin. In FY2025 the corresponding gross and operating margins were **64.1%** and **42.8%**. The comparison shows that operating leverage more than offset the modest decline in gross margin into the TTM period. It does not establish separate Product and Service margins, which are not provided in the foundation.

Operating expenses fund research and development, sales and marketing, and general administration. R&D is central: Arista adapts EOS across silicon generations, adds control- and management-plane functions, builds CloudVision automation and security, develops AI-network features, and tests hardware/software combinations. Sales costs reflect a technically demanding enterprise and hyperscale go-to-market model. Stock-based compensation was **$502.3 million** TTM, a real economic cost even though it is non-cash in the period.

Reported fixed-asset intensity is remarkably low because manufacturing is outsourced. TTM capital expenditure was only **$151.3 million**, versus **$5,306.6 million** of operating cash flow. That produced **$5,155.3 million** of free cash flow, equal to **127.5%** of net income. The caveat is that low capex does not mean low operating commitment. Arista carries inventory, funds strategic components, makes deposits, and places substantial non-cancellable and non-returnable purchase orders to secure

supply. These commitments can move working capital sharply and can create write-down or supplier-liability risk when demand, component lead times, or product generations change.

Unit economics also vary by customer. Very large buyers bring enormous volumes and long product roadmaps, but receive larger discounts and can depress gross margin. Enterprise and support growth can diversify mix, but requires more channel breadth, sales coverage, and support infrastructure. The strongest long-run model would combine hyperscale volume and engineering relevance with a larger installed-base service stream and wider enterprise adoption, while maintaining disciplined purchasing through silicon cycles.

6. Use cases: cloud, AI, campus, and routing

Cloud and traditional data centers

Arista's historical center of gravity is leaf-spine Ethernet architecture for large data centers. Leaf switches connect servers and storage; spine switches connect the leaves into a high-bandwidth fabric. The design scales horizontally, reduces bottlenecks, and supports automation better than many legacy hierarchical architectures. Customers value high port density, deep buffering where appropriate, low latency, predictable failure recovery, and the ability to operate a large fleet through common software.

AI networking

AI clusters intensify network requirements because many accelerators must exchange data continuously. Arista separates the opportunity into Scale Up within a rack, Scale Out across racks, and Scale Across between geographically distributed clusters. Its current Etherlink portfolio targets Scale Out and Scale Across, while an industry move toward open Ethernet standards could create a future Scale Up opportunity. The company highlights 800-gigabit systems, load balancing, deep buffers, virtual output queuing, non-disruptive upgrades, optics, cooling, and power efficiency. The competitive question is whether Ethernet can win enough back-end AI fabrics against vertically integrated alternatives such as InfiniBand and NVLink, and whether Arista can preserve differentiation as vendors converge on similar silicon.

Campus, branch, and wireless

Campus extends Arista from the data center to where users and devices connect. The portfolio includes fixed and modular campus switches, Power-over-Ethernet systems, and Wi-Fi access points managed through CloudVision. The acquired VeloCloud portfolio adds cloud-delivered SD-WAN and integrated security for branches and distributed sites. Strategically, this is a cross-sell thesis: customers may prefer consistent operations, telemetry, and policy from data center through campus and branch. Commercially, it also places Arista in more direct competition with broad incumbent portfolios and channel ecosystems.

Routing and interconnect

Cloud-grade routing combines high-density routing, deep buffers, encryption, and optical interconnect capabilities. Use cases include multi-cloud connectivity, data-center interconnect, traffic engineering, peering, business VPNs, core routing, and secure enterprise edge routing. Routing expands Arista's addressable spend and can deepen customer standardization on EOS, but it also confronts experienced routing incumbents and requires features, scale, interoperability, and support across a wider operating environment.

7. Supply chain and merchant-silicon model

Arista outsources most manufacturing to contract manufacturers, principally Jabil, Sanmina, and Foxconn Hon Hai. Partners procure components and assemble systems to Arista's design specifications in multiple countries. Arista retains control over bills of materials, qualified suppliers, test procedures, and quality assurance, then uses global fulfillment facilities for final configuration and distribution. This structure converts factories into supplier capacity rather than owned plant, supporting low capex and flexible scaling.

The trade-off is external dependence. Products require merchant silicon, integrated circuits, memory, power supplies, optics, and other components that may come from limited or sole sources. Broadcom is identified as the predominant supplier of switching silicon. Arista and its manufacturers generally do not have guaranteed supply or exclusive rights to critical components. Roadmap execution also requires collaboration so upcoming merchant silicon incorporates useful features and EOS can exploit them on schedule.

Merchant silicon is both strategic leverage and a source of commoditization risk. It lets Arista focus engineering resources on EOS, systems design, diagnostics, and customer requirements while benefiting from a large supplier's chip investment. Yet competitors and white-box vendors can access similar underlying silicon. Sustainable differentiation must therefore come from software quality, system engineering, feature velocity, reliability, support, and customer trust—not exclusive ownership of the switching chip.

The latest quarterly filing describes ongoing constraint and cost pressure in memory and silicon, heightened by AI-network deployment and trade-policy uncertainty. Arista has responded with longer planning horizons, strategic buffers, and elevated purchase commitments. This can protect shipments when components are scarce, but forecasting errors are expensive: a slowdown, design change, delayed customer trial, or faster product transition can leave excess inventory or binding supplier obligations. [Source: FY2025 Form 10-K, Manufacturing and risk factors](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000013/anet-20251231.htm); [Q2 2026 Form 10-Q, liquidity and supply-chain discussion](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000175/anet-20260630.htm).

8. Competitive landscape and industry structure

Networking is a standards-based but not commoditized industry. Customers can compare port speeds and chip generations, yet production networks are differentiated by software stability, automation, telemetry, feature completeness, interoperability, support, and operational risk. Qualification cycles are long because a defect or outage can affect an entire application estate. Installed software and operating processes create switching costs, but price competition remains real because merchant silicon and open-source operating systems lower hardware entry barriers.

Cisco remains the broad incumbent across data-center and campus networking. Other named competitors include Dell/EMC, Extreme Networks, Hewlett Packard Enterprise, Huawei, Juniper, Nvidia, and white-box vendors. In observability and security adjacencies, Arista also competes with specialist vendors. Competitors can bundle networking with servers, storage, GPUs, security, support, or financing, and industry consolidation can strengthen those bundles. Large customers may also develop proprietary network systems or disaggregate hardware from their own software, making customers potential competitors.

AI changes the structure further. Ethernet's openness and broad ecosystem support its case as a scalable interconnect, especially as industry groups develop AI-specific standards. But Nvidia can sell InfiniBand or NVLink as part of an integrated GPU-led system, reducing the number of independent purchase decisions. New entrants may use silicon partnerships, cloud relationships, or strategic investments to influence procurement. Arista must win through performance, reliability, openness, total cost of ownership, and software operations while defending against both vertically integrated stacks and lower-cost white boxes.

The company's position is therefore strongest where network complexity makes software and operational quality valuable, customers want best-of-breed Ethernet, and buyer scale rewards deep engineering collaboration. It is weaker where hardware is sufficiently standardized, a bundled vendor controls the accelerator or broader architecture, or a hyperscaler can justify building its own system.

9. Growth drivers and what must go right

The first driver is continued cloud traffic and data-center scaling. More applications, distributed data, and cloud services require higher-speed links and denser fabrics. The second is AI: larger accelerator clusters, greater model traffic, inference at the edge, and the shift toward Ethernet in Scale Out and potentially Scale Up. The third is speed migration, as customers move through successive generations of higher-bandwidth switching. Each transition creates replacement and expansion demand but also demands timely product qualification.

The fourth driver is enterprise share gain. Campus switching, Wi-Fi, CloudVision, security, and VeloCloud SD-WAN broaden Arista beyond hyperscale data centers. Success would diversify the customer base and increase the relevance of a unified client-to-cloud operating model. The fifth is routing and WAN adjacency, where Arista can attach data-center interconnect, peering, multi-cloud, and secure edge use cases to EOS. The sixth is installed-base monetization through support renewals and software-enabled operations.

The underwriting burden is higher than simply proving end-market growth. Arista must retain relevance with its largest customers, qualify products on time, secure components, defend gross margin despite buyer discounts and tariffs, and turn merchant silicon into a differentiated system. Enterprise expansion must grow faster than the extra sales and channel cost it requires. AI demand must translate into sustained Ethernet deployments rather than temporary capacity bursts or vertically

integrated alternatives. Finally, elevated purchase commitments must remain aligned with actual deployment schedules.

10. Five-year financial profile

The quantitative record shows both exceptional growth and major operating leverage. From FY2021 through FY2025, revenue compounded at **32.2%**, while Income from operations, net income, and diluted EPS each compounded at roughly **42.9%**. Operating margin rose by more than eleven percentage points. This is the pattern expected when a common software and engineering base scales across rising hardware volume, though it should not be extrapolated mechanically.

Fiscal year	Revenue	Income from operations	Operating margin	Net income	Diluted EPS
2021	$2,948.0m	$924.7m	31.4%	$840.9m	$0.66
2022	$4,381.3m	$1,527.1m	34.9%	$1,352.4m	$1.07
2023	$5,860.2m	$2,257.3m	38.5%	$2,087.3m	$1.65
2024	$7,003.1m	$2,944.6m	42.0%	$2,852.1m	$2.23
2025	$9,005.7m	$3,856.1m	42.8%	$3,511.4m	$2.75

Cash conversion has been strong over the cycle but not smooth. FY2022 illustrates how working-capital movements can temporarily overwhelm excellent income-statement economics. The subsequent recovery and TTM result demonstrate the cash-generative potential of the model, while inventory and purchase commitments remain the mechanism that can reintroduce volatility.

Period	Operating cash flow	Capex	Free cash flow	FCF / net income	Stock compensation	Share repurchases
FY2021	$1,015.9m	$64.7m	$951.1m	113.1%	$186.9m	$411.6m
FY2022	$492.8m	$44.6m	$448.2m	33.1%	$230.9m	$670.3m
FY2023	$2,034.0m	$34.4m	$1,999.6m	95.8%	$296.8m	$112.3m
FY2024	$3,708.2m	$32.0m	$3,676.2m	128.9%	$355.4m	$423.6m
FY2025	$4,371.9m	$119.5m	$4,252.4m	121.1%	$439.2m	$1,603.1m
TTM 2026-06-30	$5,306.6m	$151.3m	$5,155.3m	127.5%	$502.3m	$620.1m

Revenue growth has remained hardware-led: Product mix rose modestly from **84.1%** in FY2025 to **84.7%** TTM even as Service continued to grow. This is not yet a conventional subscription model in which recurring software dominates revenue. The more accurate framing is a high-margin, software-defined networking systems company with an expanding support annuity attached to a large and growing installed base.

11. Balance sheet, cash generation, and capital allocation

At 2026-06-30, Arista held **$2,290.2 million** of cash and **$11,053.1 million** of short-term marketable securities, for **$13,343.3 million** of cash plus securities. Gross debt was **zero**, so net cash plus securities was the same **$13,343.3 million**. Stockholders' equity was **$14,797.7 million**. The balance sheet gives Arista substantial capacity to fund strategic inventory, absorb demand volatility, invest in R&D, pursue acquisitions, and repurchase shares without dependence on debt markets.

Capital allocation has favored reinvestment and repurchases rather than dividends. The controlling 10-K reports no cash-dividend history, and repurchases varied widely with opportunity and cash generation. Buybacks were **$1,603.1 million** in FY2025 and **$620.1 million** TTM. They should be evaluated against stock-based compensation and valuation rather than treated automatically as shareholder yield: diluted share counts have remained broadly stable rather than collapsing, and SBC has risen alongside the business.

The large securities portfolio also generates interest income, which helps explain why net income exceeds operating income after tax. For operating analysis, that income belongs below the statutory operating line and should not be confused with network-segment profitability. For equity value, however, the net-cash balance is economically relevant and must be handled consistently in the later valuation bridge.

12. Key risks

Customer concentration and spending cycles. A small number of large buyers can materially alter growth, mix, and gross margin. Their AI priorities can accelerate networking demand while displacing previously planned non-AI spending. Qualification and acceptance timing can make reported revenue diverge from current underlying demand.

AI architecture risk. Ethernet must earn adoption against InfiniBand, NVLink, and future proprietary interconnects. Even if Ethernet wins broadly, integrated vendors, new entrants, or customer-designed systems could capture economics. AI infrastructure demand itself may be volatile if model economics or capital availability disappoint.

Merchant-silicon and component dependence. Broadcom is the predominant switching-silicon supplier, and several components have limited or sole sources. Supply shortages, roadmap slippage, unfavorable pricing, or a supplier becoming more competitive could impair product availability or differentiation.

Inventory and commitment risk. Long lead times and AI demand have encouraged strategic buffers and non-cancellable orders. If demand shifts or a new generation arrives faster than expected, Arista may incur excess inventory, supplier liabilities, or gross-margin pressure. This is the principal hidden capital intensity behind otherwise low capex.

Competition and bundling. Cisco and other broad vendors can bundle networking with adjacent products and services. Nvidia can influence AI buying through accelerator-led systems. White-box and open-source alternatives can pressure pricing where operational differentiation is insufficient.

Execution across adjacencies. Campus, Wi-Fi, security, SD-WAN, and routing expand the opportunity but also the required feature breadth, sales coverage, integrations, and support. A consistent EOS story does not guarantee share gain against entrenched channel ecosystems.

Technology and product quality. Networks are mission critical. Hardware defects, software bugs, vulnerabilities, failed upgrades, or missed standards transitions can produce remediation cost and reputational damage. The company's high-margin model assumes that quality and support remain differentiators rather than liabilities.

Trade, geopolitical, and regulatory exposure. International manufacturing and component flows are vulnerable to tariffs, export restrictions, logistics disruption, and policy changes. Higher input costs may not be fully passed through, especially to large customers with negotiating leverage.

Valuation and expectation risk. The business has compounded far faster than most hardware companies and produced extraordinary margins. The later ER2 stages must distinguish durable economics from peak AI/cloud spending, and must not treat the historical 2021-2025 growth rates as a default forecast.

13. Concise orientation summary

Arista is best understood as a software-defined network systems company, not a pure hardware vendor and not a pure subscription software company. Product sales still produce roughly five-sixths of revenue, while support grows with the installed base. One EOS/NetDL/CloudVision architecture spans cloud, AI, data center, campus, branch, routing, observability, and security use cases. Financial reporting remains consolidated in one reportable segment, with Product and Service as revenue lines only and **Income from operations** as the controlling statutory profit basis.

The quality case rests on software consistency, engineering credibility, customer intimacy, support, low owned-capital intensity, strong cash conversion, and a debt-free balance sheet. The central challenge is durability: a few large customers, merchant-silicon dependence, supplier commitments, AI-network architecture choices, and aggressive competitors can all disrupt the trajectory. An investor should enter the segment analysis asking three questions: whether Ethernet and Arista retain a defensible role in AI fabrics; whether enterprise, campus, routing, and services genuinely diversify hyperscale concentration; and whether margins and cash conversion remain resilient when growth normalizes.

Source and scope discipline

Every financial figure and derived ratio in this primer comes from the current-run, QFR-sealed `quant_foundation.md` and its sealed packets. The foundation's TTM anchors are revenue **$10,540.8 million**, Income from operations **$4,546.9 million**, net income **$4,044.6 million**, EPS **$3.170909355**, and horizon **2031-06-30**. Qualitative context comes only from current-run copies of Arista's [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000013/anet-20251231.htm) and [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000175/anet-20260630.htm), retrieved live from SEC EDGAR and hash-bound in the run source manifest. The parallel `data_package.md` was still a stub when this appendix was prepared, so no transcript quotation, management guidance, third-party market-size claim, cached warehouse file, or unsealed financial/segment dataset was used. Product-positioning and competitive statements attributed to Arista should be read as issuer representations, not independent validation.

Arista Networks — Consolidated Company Segment Deep Dive

Run ID: `pulse-cio-20260815T000100+0800` Forecast base: TTM ended 2026-06-30 Exact horizon: 2031-06-30, five calendar years Reporting currency: USD; financial tables use $ millions unless stated otherwise Exact sealed profit metric: **Income from operations**

0. Segment boundary and taxonomy note

Arista Networks has one reportable segment, and that boundary was stable throughout FY2021–FY2025. The CODM reviews consolidated operating margin and net income while also receiving Product and Service revenue information. Accordingly, `Consolidated company` is the sole financial projection segment and `Income from operations` is the exact issuer-disclosed profit basis sealed in the statutory bridge. Product and Service are separately disclosed revenue architecture and forecast drivers, not reportable profit segments. Management's newer cloud/AI/data-center, campus/routing, and network-software/services categories are operating lenses rather than a GAAP reclassification. VeloCloud broadened branch capabilities in 2025 but did not change the reportable-segment boundary [data_package §1, reporting-structure paragraphs and revenue-context table].

1. What this segment actually is

Arista sells the networking layer that moves data inside and between cloud data centers, AI clusters, enterprise data centers, campuses, branches, and wide-area environments. The physical product is a portfolio of high-speed switches and routers. The economically important product, however, is the combined system: merchant switching silicon, Arista-designed hardware, the Extensible Operating System (EOS), routing and telemetry features, automation, observability, security capabilities, and lifecycle support. A customer is buying deterministic network behavior and an operating model, not merely ports in a box.

The Product revenue category includes switching and routing systems and related network applications, including embedded EOS. Product was 84.7% of the $10,540.8m TTM revenue anchor: the four disclosed quarters sum to $8,923.9m. Service was the remaining $1,616.9m, or 15.3%, and consists primarily of post-contract customer support (PCS), technical assistance, repair and replacement, bug fixes, patches, and upgrades [data_package §4, Product and Service rows; §5, quarterly Product/Service table]. EOS and some network applications are embedded in Product, so "software" is broader than Service and Service must not be used as a proxy for all software economics.

Customers span a small number of very large cloud and AI builders, specialized and neo-cloud providers, financial institutions, other large enterprises, and public-sector or campus buyers. Management described FY2025 end-market mix as 48% cloud/AI titans, 32% enterprise/financials, and 20% AI/specialty providers. Those shares show breadth but not diversification: the two largest disclosed end customers represented 42% of FY2025 revenue, while two reseller receivable concentrations totaled 52% [data_package §4, customer and adoption indicators; §6, additional forward anchors]. A large design win can therefore change the growth rate faster than a normal enterprise refresh cycle, while a deployment pause can reverse it just as quickly.

The selling motion differs by customer. Hyperscalers and large AI builders undertake demanding qualification, co-design, lab validation, and deployment planning; the relationship may be direct even when product invoices run through a reseller. Enterprise, campus, and branch opportunities rely more heavily on channels and compete with incumbent installed bases and bundled procurement. Service attaches to installed Product and normally extends over time, creating a smoother revenue layer than new system shipments. The company does not disclose unit volumes, annual average selling prices, billings, ARR, renewal rates, churn, or product-specific margins, so this model does not fabricate those statistics [data_package §0a, software-style inventory; §10, open data gaps].

Pricing is a value-versus-system-cost proposition. High-speed data-center customers care about throughput, latency, reliability, power consumption, GPU utilization, software operability, and time to deployment. Enterprise customers additionally value integrated support and operational simplicity. That can sustain premium economics when EOS and the hardware roadmap reduce total cost of ownership. It does not make pricing absolute: merchant-silicon alternatives, white-box systems, customer-designed hardware, Cisco, NVIDIA, and HPE Juniper all put a ceiling on price, and the largest buyers possess unusually strong negotiating power.

2. Current economics

The TTM period comprises Q3 2025, Q4 2025, Q1 2026, and Q2 2026. Revenue was exactly $10,540.8m and `Income from operations` was exactly $4,546.9m, producing a 43.1362% margin before display rounding [data_package §3a, TTM

bridge]. The period combined 37.7% consolidated YoY growth in Q2 with a 45.4% GAAP operating margin. Product accelerated to 38.8% YoY in Q2 and Service grew 31.3% [data_package §5, Q2 rows]. These are exceptional rather than steady-state rates.

The economic profile is unusually asset-light in owned fixed capital but not in supply exposure. FY2025 capex was $119.5m, just 1.3% of revenue, because manufacturing is outsourced. R&D was $1,237.3m, 13.7% of revenue, and is the economically important reinvestment burden. Non-cancellable purchase commitments were $6.8bn at FY2025 and rose to $9.7bn at Q2 2026, equal to roughly 92% of TTM revenue. Inventory reached $2.535bn at Q2 2026. Arista relies primarily on Broadcom for switching chips and lacks supply guarantees for key components [data_package §0a, material KPI history and commitment discussion; §7, capital allocation]. Low capex therefore coexists with a large off-balance-sheet-like operating commitment to future component purchases.

Demand visibility is also large but imperfect. Total remaining performance obligations (RPO) rose from $3.4bn at FY2024 to $6.1bn at FY2025 and $8.4bn at Q2 2026. Deferred revenue rose from $2.791bn to $5.372bn and then $6.866bn over the same dates [data_package §0a, material KPI history]. At Q2, RPO equaled about 79.7% of TTM revenue and deferred revenue about 65.1%. This is meaningful coverage, but it is not backlog or guaranteed near-term shipment revenue. Product acceptance timing, multi-year service obligations, and customer deployment schedules can defer recognition. The balance is both a bull signal for committed demand and a bear signal that revenue may bunch around acceptance milestones.

The strategic growth vectors are substantial. Management’s latest target is at least $3.6bn of AI networking revenue in calendar 2026, up from an exceeded $1.5bn 2025 goal. Campus and branch carries a $1.25bn 2026 target. Scale-Up is explicitly a 2027-and-beyond entry, and 1.6-terabit products are expected at production scale in 2027 [data_package §6, quoted guidance rows]. These targets overlap Product/Service accounting and therefore serve as model cross-checks rather than additive revenue lines.

3. Unit economics

Revenue begins with a platform design win. The hardware bill of materials includes merchant switching silicon, optics or related interfaces, memory, substrates, chassis, power and cooling elements, contract-manufacturing cost, and freight. Arista adds system design and EOS, then incurs sales, support, R&D, and general corporate costs. Since Product and Service profit are not separately disclosed, the only legitimate output is the consolidated `Income from operations` margin. Any apparent product-margin or service-margin estimate would create precision unsupported by the sealed packet.

Gross-margin direction depends on mix, pricing, component cost, and purchase accounting. Product shipments generally carry more physical input cost than PCS support, while Service should benefit from recurring installed-base economics but still requires support engineers, spares, replacement logistics, and continual software maintenance. Embedded EOS has no standalone revenue line, yet it can defend hardware pricing and lower support effort by keeping a common software image and consistent operational model across platforms. CloudVision and related software can add subscription-like value, but no ARR, NRR, or software gross-margin series is disclosed [data_package §0a, software-style inventory]. The model therefore recognizes the economics qualitatively and through the consolidated margin path.

Three factors have driven historical operating leverage. First, revenue scaled faster than R&D and corporate infrastructure: R&D dollars more than doubled from FY2021 to FY2025 while R&D/revenue fell from 19.9% to 13.7%. Second, a common EOS architecture lets software investment support multiple hardware families and customer environments. Third, support and software revenue compounds with the installed base. These forces helped `Income from operations` margin rise from 31.4% in FY2021 to 42.8% in FY2025 [data_package §3, segment historicals; §7, capital allocation].

The reverse mechanism is equally important. A hyperscaler mix surge can lower gross margin if volume pricing is aggressive. A rapid 800G/1.6T transition can elevate component and qualification costs. Supply scarcity can force expediting or unfavorable purchases, while over-ordering can create inventory write-downs: disclosed charges rose from $61.8m in FY2021 to $267.2m in FY2024 before falling to $131.6m in FY2025. The $9.7bn commitment balance makes forecast error economically consequential. Finally, new Scale-Up, optics, campus, branch, and software initiatives require R&D and go-to-market investment before their revenue fully matures.

Working capital can amplify cash outcomes around these operating economics. Inventory is built before customer acceptance; deferred revenue and RPO indicate contract coverage but not identical cash or recognition dates; receivable concentration sits with large accounts and resellers. A revenue slowdown while purchase commitments remain fixed would compress margins through under-absorption, price concessions, or write-downs even though owned capex stays low. Conversely, a clean 1.6T ramp with sufficient components and fast acceptance could turn commitments into revenue and

sustain high incremental margins.

4. Competitive dynamics

Arista competes in several overlapping arenas: high-speed cloud data-center switching, Ethernet AI back-end fabrics, routing and data-center interconnect, enterprise data-center switching, campus switching and wireless adjacency, branch networking, and network operations software. The principal competitive set includes Cisco, NVIDIA, HPE Juniper, white-box and ODM systems using merchant silicon and open network operating systems, and in some hyperscaler settings the customer's own hardware/software designs.

Current market context is strong but not monopolistic. IDC reported that the data-center portion of the Ethernet switch market grew 53.5% in 2025 to $32.5bn. It estimated Arista at 19.0% of the data-center Ethernet switching market in Q4 2025 and NVIDIA at 15.2%; Arista had 12.6% of the total Ethernet switch market because its mix is heavily data-center oriented. Cisco remained much larger in total Ethernet switching, with 27.6% overall share, and HPE held 6.7% after incorporating Juniper. IDC also reported only 9.1% full-year growth in the non-data-center market, much slower than data center [IDC, "Ethernet switch market size and growth," 2026](https://www.idc.com/resource-center/blog/ethernet-switch-market-size-and-growth-datacenter-segment-surges-60-in-q4-as-ai-workloads-expand/). This supports two conclusions: Arista is a leader in its core, and campus/branch growth will occur in a structurally slower and more incumbent-heavy market.

NVIDIA is the most important new full-stack threat in AI networking. Spectrum-X combines the switch, SuperNIC, congestion-control features, validation, and tight integration with the NVIDIA compute stack. NVIDIA markets standards-based Ethernet and SONiC support, reducing the comfort of arguing that open Ethernet automatically favors Arista. Its platform claims direct GPU-cluster performance and full-stack optimization, which can matter more than switch purchase price when accelerators dominate the bill of materials [NVIDIA Spectrum-X platform](https://www.nvidia.com/en-us/networking/spectrumx/). In the bear case, compute-stack bundling lets NVIDIA capture a larger share of AI back-end fabrics or pressure Arista's pricing.

Cisco is attacking from both silicon and systems. Its 2026 Silicon One G300 is a 102.4Tbps switch processor, and Cisco announced N9000 and 8000 systems plus 1.6T optics aimed at hyperscalers, neoclouds, enterprises, and service providers [Cisco G300 announcement, February 2026](https://newsroom.cisco.com/c/r/newsroom/en/us/a/y2026/m02/cisco-announces-new-silicon-one-g300.html). Cisco can bundle campus, routing, security, support, optics, and data-center operations. Arista's campus expansion therefore runs into an incumbent with procurement leverage and a broad installed base, while its data-center leadership faces a technically credible 1.6T alternative.

Merchant silicon cuts both ways. Broadcom's Tomahawk 6 ships 102.4Tbps capacity and supports scale-up, scale-out, 100G/200G SerDes, and co-packaged optics [Broadcom Tomahawk 6 release](https://www.broadcom.com/company/news/product-releases/63146). Access to a strong merchant-silicon roadmap lets Arista focus differentiation on system design, EOS, routing, telemetry, reliability, and customer-specific execution. Yet the same silicon can support other OEMs and ODMs, limiting pure hardware differentiation. Concentration on Broadcom also gives the supplier economic and operational leverage.

HPE Juniper competes through switching plus multivendor intent-based operations. Data Center Assurance and Apstra emphasize automation, validation, root-cause analysis, and multivendor compatibility [HPE Juniper Data Center Assurance](https://www.juniper.net/us/en/products/cloud-services/juniper-data-center-assurance-datasheet.html). That attacks the same operational complexity that Arista addresses with EOS and CloudVision. White-box systems create a substitution path for sophisticated hyperscalers that can operate SONiC or internal software, particularly when the system hardware is built around common merchant silicon.

Pricing power is therefore conditional. Arista can price for reliability, consistent software, rapid qualification, automation, and lower operational burden where network downtime or stranded GPUs are costly. It has less power when a hyperscaler can dual-source, design internally, or use a compute-vendor bundle. The largest customers' scale, the 42% top-two revenue concentration, and the expectation of additional 10% customers mean bargaining power is shared. The base case assumes Arista retains technical relevance without expanding pricing indefinitely; the bear case assumes competitive alternatives turn some growth into lower margin.

5. Moat at the segment level

The strongest moat is accumulated software-operating credibility. EOS provides a common foundation across platforms, and customers build automation, operational procedures, telemetry, and staff expertise around it. Network software must behave consistently under rare failures and enormous traffic loads; trust is earned through deployment history rather than a feature checklist. Requalification and operational retraining make switching costs real even when the underlying switching silicon is merchant supplied.

The second moat is engineering coordination across silicon roadmaps, hardware, software, optics, protocols, and customer deployment schedules. Hyperscaler design wins demand performance and reliability at scale, while the 1.6T and Scale-Up transitions require new architectures rather than a routine speed bump. More than 150m cumulative shipped ports, more than 100 Etherlink customers, approximately 3,000 CloudVision customers, and more than 10,000 total customers are useful evidence of installed reach, though the data package correctly warns that they are point-in-time adoption markers rather than annual revenue cohorts [data_package §4, customer and adoption indicators].

The third moat is an ecosystem flywheel. A larger installed base generates support relationships, software usage, field knowledge, and reference designs. Service can deepen retention; EOS consistency makes adjacent routing, campus, branch, observability, and security products easier to adopt. The company can reinvest substantial absolute R&D while preserving high margins. This flywheel is most valuable when new products reuse software and operating workflows rather than forcing customers into a fragmented architecture.

The moat is not absolute over a five-to-ten-year horizon. NVIDIA's full-stack control can shift the optimization boundary from network system to accelerator platform. Cisco's silicon and bundle can improve quickly. SONiC and white-box systems reduce software lock-in for the most capable buyers. Broadcom makes leading silicon available across vendors. Customer concentration means a small number of technical or commercial decisions can overwhelm gradual installed-base benefits. Arista's defensibility therefore depends on continued product-cycle execution and neutral, best-of-breed networking value—not merely the legacy reputation of EOS.

This is a durable but actively contested moat. The base case assumes it protects low-60s GAAP gross-margin economics -- 64.1% in FY2025 and 62.4% in H1 2026 -- and low-40s `Income from operations` margins without requiring share gains forever [data_package Section 0a, Material KPI history]. The bull case requires EOS and Etherlink to remain preferred as Ethernet moves into AI scale-up and scale-across, plus successful campus and branch expansion. The bear case does not require technological irrelevance: one lost hyperscaler generation, slower 1.6T qualification, or sustained pricing pressure is enough to pull `Income from operations` margin into the mid-30s.

6. Historical growth rates

The following table reproduces dollar disclosures from the verified data package. "Three-year CAGR" means FY2023 to FY2025, a two-interval CAGR calculated from the cited endpoint dollars; it is not management guidance. The latest YoY column uses Q2 2026 because it is the most recent reported quarter.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	Three-year CAGR	Most recent YoY	Data package cite
Product	$5.029B [data_package §4, Product row]	$5.884B [data_package §4, Product row]	$7.577B [data_package §4, Product row]	22.75% [calculated from cited endpoints]	38.8% [data_package §5, Q2 2026 Product row]	data_package §4 rows 194–201; §5 row 246
Service	$0.831B [data_package §4, Service row]	$1.119B [data_package §4, Service row]	$1.429B [data_package §4, Service row]	31.13% [calculated from cited endpoints]	31.3% [data_package §5, Q2 2026 Service row]	data_package §4 rows 194–201; §5 row 246
Consolidated company	$5.8602B [data_package §3, Revenue row]	$7.0031B [data_package §3, Revenue row]	$9.0057B [data_package §3, Revenue row]	23.97% [calculated from cited endpoints]	37.7% [data_package §5, Q2 2026 consolidated row]	data_package §3 rows 132–139; §5 row 239

No historical dollars were back-solved. Arithmetic tie-outs are visible: Product $5.884B × 1.2877 = $7.577B; Service $1.119B × 1.2770 = $1.429B; consolidated $7.0031B × 1.28595 = $9.0057B. Each is within the required 2% tolerance and, before display rounding, ties the data package. The longer FY2021–FY2025 CAGRs disclosed in §3 are 33.6% for Product, 25.8% for Service, and 32.2% for total revenue, spanning four annual intervals.

The pattern matters more than one CAGR. Consolidated growth decelerated from 48.6% in FY2022 to 19.5% in FY2024, then reaccelerated to 28.6% in FY2025 and 37.7% in Q2 2026 [data_package §3 and §5]. A five-year forecast that holds the latest rate constant would implicitly assume repeated new AI waves with no customer, supply, or competitive ceiling. Every scenario below therefore shows explicit year-by-year deceleration.

7. Management guidance quoted from the data package

All issuer quotations below are reproduced only from verified data_package §6; transcripts were not re-fetched for this appendix.

- **Q3 FY2025, Jayshree Ullal — AI execution:** “AI aggregate for 2025 ... is well underway.” This supported the then-$1.5bn goal, which was later exceeded. The relevant forecast question is no longer whether AI exists, but how much of the 2026 step-up persists after the initial build wave [data_package §6, quote row 1].

- **Q3 FY2025, Jayshree Ullal — breadth:** “momentum across cloud and AI titans, neo cloud providers and the campus enterprise.” The breadth is encouraging, but it does not offset disclosed concentration until revenue percentages actually diversify [data_package §6, quote row 2].

- **Q4 FY2025, Jayshree Ullal — intermediate AI target:** “doubling from 2025 to 2026 to $3,250,000,000 in AI networking revenue.” The later $3.6bn target supersedes this figure; the upward revision is evidence of strong near-term demand [data_package §6, quote row 3].

- **Q4 FY2025, Jayshree Ullal — campus/branch:** “aggressive goal of $1,250,000,000 for 2026 for the cognitive campus and branch.” The goal is used as a cross-check, not a separately profitable segment or additive Product line [data_package §6, quote row 4].

- **Q1 FY2026, Jayshree Ullal — Scale-Up timing:** “Scale-Up will be a new entry for Arista in 2027 and beyond”. No base-case 2026 revenue credit is given to Scale-Up. The bull case allows a stronger 2027–2029 contribution; the bear case assumes qualification delays [data_package §6, quote row 5].

- **Q1 FY2026, Jayshree Ullal — 1.6T timing:** “the addition of 1.6 terabit in 2027 at production scale.” The model treats 2026 as readiness and customer qualification, not full production revenue [data_package §6, quote row 6].

- **Q2 FY2026, Jayshree Ullal — latest AI target:** “at least $3.6 billion in 2026”. Base assumes the threshold is achieved; bear assumes a modest timing miss rather than denying current demand; bull assumes upside to the floor [data_package §6, quote row 7].

- **Q2 FY2026, Jayshree Ullal — supply:** “solid progress here in addressing our tight supply chain”. Progress supports the near-term ramp, but the statement does not erase the $9.7bn purchase commitments, predominant Broadcom reliance, or lack of supply guarantees [data_package §6, quote row 8; §0a commitments].

Additional anchors are a roughly $3.3bn Q3 2026 revenue guide, a 48%–49% non-GAAP operating-margin guide, Scale-Across near 30% of the 2026 AI target, and continuing component-cost pressure. The exact profit metric forecast here remains GAAP `Income from operations`; non-GAAP guidance is context, not a substituted margin basis [data_package §6, additional forward anchors].

8. Forward growth assumptions

Model construction and TTM anchor

The model compounds exactly five calendar years from 2026-06-30 to 2031-06-30. Product and Service are forecast separately and then added. TTM Product of $8,923.9m equals the four quarterly disclosures, and TTM Service of $1,616.9m equals the corresponding four-quarter sum; together they reconstruct the verified $10,540.8m consolidated anchor [data_package §5 quarterly Product/Service table; §3a TTM anchor]. Strategic end-market milestones constrain the growth paths but are not added again, avoiding double counting.

Base-case growth assumptions

Product	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Concise justification
Product	22.75%	38.8%	AI at least $3.6bn; campus/branch $1.25bn; 1.6T production in 2027	15.08%	AI, campus, 1.6T and Scale-Up extend growth, but customer scale and competition force annual deceleration.
Service	31.13%	31.3%	No Service dollar guide; PCS and installed-base support apply	15.32%	Service follows installed Product with lag, while >20% recent growth normalizes as the base enlarges.
Consolidated company	23.97%	37.7%	Prior FY2026 target $10.65bn is overtaken by current run-rate; Q3 guide about $3.3bn	15.12%	Product/Service sum; RPO supports visibility, but the model fades from boom conditions.

Base Product growth decelerates 24%, 18%, 14%, 11%, and 9%. This is not a one-step cut from 38.8% to a terminal rate: the first rolling year captures the $3.6bn AI target, $1.25bn campus objective, Q3 guide, and $8.4bn RPO; 2028 and 2029 capture 1.6T and early Scale-Up; later years normalize as comparisons and installed capacity grow. Service decelerates 22%, 18%, 15%, 12%, and 10%, supported by the installed base but constrained by the absence of disclosed ARR or renewal metrics.

Bull-case growth assumptions

Product	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Concise justification
Product	22.75%	38.8%	Same disclosed anchors; AI target is a floor	20.87%	AI Ethernet wins broaden, 1.6T is on time, Scale-Up converts, and campus gains compound without a major hyperscaler loss.
Service	31.13%	31.3%	No Service dollar guide	18.31%	Rapid installed-base growth lifts PCS and software support, though Service still decelerates every year.
Consolidated company	23.97%	37.7%	Q3 guide about $3.3bn plus raised AI target	20.49%	Product-led upside with continued high-speed market growth and successful adjacency execution.

Bull Product growth is 30%, 24%, 20%, 17%, and 14%; Service growth is 25%, 22%, 18%, 15%, and 12%. The case assumes the $3.6bn AI target is exceeded, Scale-Across expands the opportunity, and 1.6T reaches production scale in 2027 without material qualification delay. It does not perpetuate 38.8% growth. By 2031, the business is much larger and growth has fallen to the mid-teens despite favorable execution.

Bear-case growth assumptions

Product	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Concise justification
Product	22.75%	38.8%	$3.6bn AI and $1.25bn campus targets are at risk on timing, not erased	7.50%	Near-term contracted demand ships, then hyperscaler pauses, pricing pressure, and delayed 1.6T/Scale-Up drive sharp deceleration.
Service	31.13%	31.3%	No Service dollar guide	10.94%	Support is more resilient than equipment, but slower installed-base additions reduce the renewal pool.
Consolidated company	23.97%	37.7%	Q3 guide provides near-term floor	8.06%	RPO protects year one; concentration and fixed purchase commitments dominate years two through five.

Bear Product growth is 16%, 9%, 6%, 4%, and 3%; Service growth is 17%, 13%, 10%, 8%, and 7%. This is a cycle-and-share bear rather than an existential collapse. Near-term Q3 guidance, RPO, and deferred revenue make an immediate revenue contraction less defensible. The damage arrives as customer deployments normalize, competitive 1.6T systems qualify, and prior supply commitments become less flexible.

Year-by-year deceleration schedule

Case and revenue driver	2027-06-30 growth	2028-06-30 growth	2029-06-30 growth	2030-06-30 growth	2031-06-30 growth	Five-year CAGR
Bear Product	16.0%	9.0%	6.0%	4.0%	3.0%	7.50%
Bear Service	17.0%	13.0%	10.0%	8.0%	7.0%	10.94%
Base Product	24.0%	18.0%	14.0%	11.0%	9.0%	15.08%
Base Service	22.0%	18.0%	15.0%	12.0%	10.0%	15.32%
Bull Product	30.0%	24.0%	20.0%	17.0%	14.0%	20.87%
Bull Service	25.0%	22.0%	18.0%	15.0%	12.0%	18.31%

End-market and operating-driver underwriting

Driver	Verified current anchor	Bear underwriting	Base underwriting	Bull underwriting
Hyperscaler concentration	Top two end customers were 42% of FY2025 revenue	One major program slows or dual-sources after committed near-term deliveries; pricing weakens	Existing leaders remain, new 10% customers broaden absolute dollars but concentration stays material	New titans and neo-clouds grow faster than incumbents, lowering concentration over time
2026 AI networking	Latest target at least $3.6bn; Scale-Across near 30%	About $3.4bn due acceptance timing; demand is deferred, not assumed destroyed	At least $3.6bn achieved; subsequent growth fades as the base scales	Roughly $3.9bn or more; Ethernet AI share and Scale-Across both outperform
Campus and branch	2026 goal $1.25bn	About $1.15bn; channel and incumbent friction delay conversion	$1.25bn achieved; steady cross-sell through EOS/CloudVision and VeloCloud	About $1.35bn; enterprise adoption and branch integration accelerate
1.6T and Scale-Up	Production-scale 1.6T in 2027; Scale-Up 2027+	Production qualification slips or ramps slowly into 2028	Production begins in 2027 and contributes progressively, not all at once	On-time 2027 scale plus design wins sustain 2028–2030 growth
RPO and deferred revenue	$8.4bn RPO and $6.866bn deferred revenue at Q2 2026	Protect year one, then acceptance delays and service duration reduce conversion speed	Support near-term visibility with normal timing; not treated as backlog	Convert efficiently while new obligations replenish the balance
Broadcom and supply commitments	Predominant switching-chip reliance; $9.7bn commitments; no key-component guarantees	Excess commitments, write-downs, expedites, or shortages compress margin	Supply progress enables shipments; commitments broadly match demand	Volume secures availability and favorable utilization without excess inventory
Geography	Q2 2026 was 77.0% Americas, 14.4% EMEA, 8.6% APAC	Americas remains about 80% at horizon as international expansion disappoints	Horizon mix about 72% Americas, 18% EMEA, 10% APAC	Horizon mix about 68% Americas, 20% EMEA, 12% APAC
EOS/software/support	Service is 15.3% of TTM; software also embedded in Product	Service mix rises to 17.5% because hardware slows, but pricing and R&D pressure dominate	Service remains about 15.5%; EOS protects platform value and PCS retention	Product AI growth lowers Service mix to about 14.0%, while software-led pricing and scale aid margin

The AI and campus figures are analyst scenario cross-checks around management KPIs, not audited sub-segment forecasts. They are not added to Product and Service because AI networking and campus include Product, software, and support economics already captured in those categories. This prevents a common double-counting error.

Scenario probabilities are **30% bear, 50% base, and 20% bull**. The weights are intentionally non-uniform. Base receives the highest weight because current guidance, RPO, and supply progress support strong execution. Bear receives more weight than bull because 42% top-two customer concentration and purchase commitments approaching one year of revenue create asymmetric downside if deployments pause. Bull remains material because AI Ethernet, 1.6T, Scale-Up, and campus can enlarge the addressable market faster than current assumptions.

9. Forward `Income from operations` margin assumptions

The exact metric is `Income from operations`. The TTM starting margin is 43.1362%, calculated from sealed $4,546.9m profit and $10,540.8m revenue. No Product or Service operating margin is disclosed, so the model does not manufacture a revenue-weighted product-margin bridge. Instead, Product/Service mix is an explicit driver of a single consolidated margin schedule.

Case	TTM 2026-06-30	2027-06-30	2028-06-30	2029-06-30	2030-06-30	2031-06-30	Five-year change	Mechanism
Bear — Income from operations margin	43.14%	41.00%	39.00%	38.00%	37.00%	36.50%	-663.62bp	Customer pricing, excess commitments, inventory charges, new-platform R&D, and weaker fixed-cost absorption
Base — Income from operations margin	43.14%	43.50%	43.50%	43.20%	43.00%	42.80%	-33.62bp	Scale and Service offset AI hardware mix, component cost, and continued roadmap investment
Bull — Income from operations margin	43.14%	44.00%	44.80%	45.50%	46.00%	46.50%	+336.38bp	Clean supply conversion, software/platform pricing, high incremental revenue, and R&D leverage

The **bear decline exceeds 100bp**, so its mechanism must be concrete. First, a large customer deployment pause creates unfavorable volume and price mix after the protected near-term RPO converts. Second, $9.7bn of commitments reduce the ability to resize supply quickly; inventory write-downs or purchase losses reappear. Third, competitive 1.6T systems from Cisco, NVIDIA's full-stack Spectrum-X, and white-box alternatives force discounts or share loss. Fourth, Arista continues funding Scale-Up, optics, campus, branch, and EOS even as revenue growth slows. The combined result is a 663.62bp decline, not an arbitrary haircut.

The **bull expansion also exceeds 100bp**. It assumes purchase commitments convert cleanly into accepted products, scarcity costs ease, EOS and software defend platform pricing, support scales with the installed base, and R&D grows more slowly than revenue after the 1.6T/Scale-Up investment crest. Margin reaches 46.5%, which is demanding but not obtained by allocating undisclosed Service margins. It is a consolidated outcome requiring several favorable mechanisms simultaneously.

Base margin is deliberately flatter than the growth case might suggest. Product remains about 84.5% of revenue at the horizon, AI systems and 1.6T carry component and qualification costs, and management must reinvest in a broader portfolio. Scale and Service economics offset those pressures but do not create perpetual margin expansion. The 42.8% horizon margin is close to FY2025's 42.8% and modestly below the TTM 43.14%, preserving rather than extrapolating recent operating leverage.

10. Segment rollup built bottoms-up

All rolling periods below end on June 30. Revenue equals Product plus Service. Forecast `Income from operations` equals unrounded Product plus Service revenue multiplied by the displayed scenario margin; the TTM row is the sealed historical anchor rather than a forecast calculation. Displayed figures may show a 0.1m rounding difference. There are no below-line items, cash, debt, tax, or other-income assumptions in this appendix.

Bear case rollup

Period end	Product growth	Product revenue	Service growth	Service revenue	Total revenue	Income from operations margin	Income from operations
TTM 2026-06-30	—	8,923.9	—	1,616.9	10,540.8	43.14%	4,546.9
2027-06-30	16.0%	10,351.7	17.0%	1,891.8	12,243.5	41.00%	5,019.8
2028-06-30	9.0%	11,283.4	13.0%	2,137.7	13,421.1	39.00%	5,234.2
2029-06-30	6.0%	11,960.4	10.0%	2,351.5	14,311.9	38.00%	5,438.5
2030-06-30	4.0%	12,438.8	8.0%	2,539.6	14,978.4	37.00%	5,542.0
2031-06-30	3.0%	12,812.0	7.0%	2,717.4	15,529.3	36.50%	5,668.2

Bear horizon tie-out at calculation precision: $12,811.9611m Product + $2,717.3632m Service = $15,529.3243m; $15,529.3243m × 36.50% = $5,668.2034m `Income from operations`, displayed as $5,668.2m. The revenue CAGR is 8.06%, materially below recent history, and the margin decline causes profit to compound more slowly than revenue.

Base case rollup

Period end	Product growth	Product revenue	Service growth	Service revenue	Total revenue	Income from operations margin	Income from operations
TTM 2026-06-30	—	8,923.9	—	1,616.9	10,540.8	43.14%	4,546.9
2027-06-30	24.0%	11,065.6	22.0%	1,972.6	13,038.3	43.50%	5,671.6
2028-06-30	18.0%	13,057.5	18.0%	2,327.7	15,385.1	43.50%	6,692.5
2029-06-30	14.0%	14,885.5	15.0%	2,676.8	17,562.3	43.20%	7,586.9
2030-06-30	11.0%	16,522.9	12.0%	2,998.1	19,521.0	43.00%	8,394.0
2031-06-30	9.0%	18,010.0	10.0%	3,297.9	21,307.8	42.80%	9,119.8

Base horizon tie-out at calculation precision: $18,009.9586m Product + $3,297.8701m Service = $21,307.8288m; $21,307.8288m × 42.80% = $9,119.7507m `Income from operations`, displayed as $9,119.8m. The consolidated five-year revenue CAGR is 15.12%. Product and Service remain balanced enough that Service is approximately 15.5% of horizon revenue, almost unchanged from the TTM mix.

Bull case rollup

Period end	Product growth	Product revenue	Service growth	Service revenue	Total revenue	Income from operations margin	Income from operations
TTM 2026-06-30	—	8,923.9	—	1,616.9	10,540.8	43.14%	4,546.9
2027-06-30	30.0%	11,601.1	25.0%	2,021.1	13,622.2	44.00%	5,993.8
2028-06-30	24.0%	14,385.3	22.0%	2,465.8	16,851.1	44.80%	7,549.3
2029-06-30	20.0%	17,262.4	18.0%	2,909.6	20,172.0	45.50%	9,178.3
2030-06-30	17.0%	20,197.0	15.0%	3,346.1	23,543.1	46.00%	10,829.8
2031-06-30	14.0%	23,024.6	12.0%	3,747.6	26,772.2	46.50%	12,449.1

Bull horizon tie-out at calculation precision: $23,024.5787m Product + $3,747.5797m Service = $26,772.1583m; $26,772.1583m × 46.50% = $12,449.0536m `Income from operations`, displayed as $12,449.1m. The consolidated revenue CAGR is 20.49%. Product outgrows Service because AI systems, 1.6T, and Scale-Up dominate the incremental dollars, so margin expansion must come from platform value and operating leverage rather than a rising Service mix.

The three cases are mechanically consistent with Section 8 growth rates and Section 9 margins. No case inserts corporate/unallocated adjustments because the sealed bridge contains none. No case adds Other income, tax, cash, debt, or share count; those are below this segment worker's mandate.

11. Key risks and wildcards

[Bear] Hyperscaler and reseller concentration. Two end customers represented 42% of FY2025 revenue and two reseller receivable exposures totaled 52%. One delayed fabric, dual-source decision, or architectural shift can alter growth and working capital more than hundreds of smaller wins. Additional 10% customers may broaden the logo set but can increase reported concentration before it reduces dependency.

[Bear] AI architecture competition. NVIDIA controls a compute-and-network stack, Cisco has credible 102.4Tbps/1.6T systems and optics, and sophisticated customers can deploy white-box or internal designs. Ethernet growth does not guarantee Arista share. The most dangerous outcome is not an InfiniBand victory alone; it is Ethernet growth captured by other vendors at lower pricing.

[Bear] Broadcom and commitment mismatch. Predominant switching-chip reliance, no key-component guarantees, and $9.7bn of purchase commitments create two-sided exposure. A shortage delays shipment; a demand pause leaves excess components and inventory. The historical write-down record proves this is an economic mechanism, not a remote disclosure risk.

[Bear/Base] Acceptance timing and RPO quality. RPO and deferred revenue are large, but neither equals near-term backlog. Product acceptance, customer build schedules, and multi-year support obligations can shift reported revenue between periods. The first forecast year is protected, not guaranteed.

[Base/Bull] 1.6T and Scale-Up execution. Production timing in 2027 is a management anchor. On-time qualification can create a multi-year upgrade cycle; delay into 2028 would push the model toward bear. Scale-Up is new territory and should earn probability only through real design wins, not through addressable-market rhetoric.

[Base/Bull] Campus, branch, and geography. Campus/branch can diversify a cloud-heavy business and Service can deepen recurrence. Success requires channel execution against Cisco and HPE, integration of VeloCloud, and international growth beyond the current Americas concentration. These are genuine adjacencies but lack audited revenue and profit histories.

[Bull] EOS, CloudVision, and support monetization. The bull case depends on common software increasing customer lifetime value and defending price. The absence of ARR, NRR, churn, and standalone software margins means investors must verify this through Service growth, CloudVision adoption, retention evidence, and consolidated margin rather than unsupported SaaS analogies.

[All cases] Technology and optics transition. Co-packaged optics, silicon photonics, 1.6T SerDes, and new congestion-control approaches can change the locus of value. Arista benefits if it integrates the best merchant components faster than rivals; it loses if differentiation migrates inside the compute vendor's tightly coupled stack.

Summary

Case	Segment TTM+5y revenue	Exact profit metric	Segment TTM+5y profit margin	Segment TTM+5y profit	Probability
Bear	$15,529.3m	Income from operations	36.50%	$5,668.2m	30%
Base	$21,307.8m	Income from operations	42.80%	$9,119.8m	50%
Bull	$26,772.2m	Income from operations	46.50%	$12,449.1m	20%

Probability-weighted TTM+5 revenue is $20,667.1m and probability-weighted `Income from operations` is $8,750.2m using the non-uniform 30%/50%/20% scenario weights. These weighted figures are descriptive, not a fourth operating scenario.

Data gaps retained explicitly

- **[DATA GAP: Product- and Service-level operating profit or margin are not disclosed.]** The model preserves one consolidated `Income from operations` rollup and does not invent revenue-weighted sub-product margins.
- **[DATA GAP: Audited revenue by AI, campus/branch, EOS, CloudVision, routing, optics, security, and VeloCloud is not disclosed.]** Management targets and shares are used only as non-additive cross-checks.
- **[DATA GAP: ARR, NRR, GRR, churn, CAC/payback, billings, backlog, book-to-bill, annual units, ASP, and utilization are not disclosed.]** RPO, deferred revenue, Service, PCS, and adoption points are used without relabeling.
- **[DATA GAP: A comparable annual geographic Product/Service or end-market profit split is not disclosed.]** Geography is modeled as a mix risk rather than a second financial rollup.

Arista Networks — Management Assessment

Management gate: PASS. Jayshree Ullal and the core technical leadership have built a rare record of organic, high-return compounding, the balance sheet and acquisition record show restraint, and management's recent guidance and question handling are credible. The gate is not flawless: succession beyond Ullal is not explicit, planned insider selling is material, buybacks have mostly offset dilution rather than retired shares, and the compensation design lacks ROIC/FCF/relative-TSR metrics while 2025 say-on-pay support fell to 62%. Those issues warrant monitoring, but they do not outweigh the observable stewardship record or create a current minority-shareholder impairment.

Source scope and decision standard

This assessment uses the live-filed [2026 DEF 14A](https://www.sec.gov/Archives/edgar/data/1596532/000119312526158942/d66465ddef14a.htm), the live-filed [FY2025 10-K](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000013/anet-20251231.htm), live [FMP stable earnings-call responses](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=ANET&year=2026&quarter=2) queried separately for Q3 2024 through Q2 2026, and live SEC Form 4 filings through August 15, 2026. Capital allocation and recent corporate actions come from the verified ER2 data package rather than being re-fetched. Financial operating performance uses the exact statutory profit basis **Income from operations**.

1. Who is running the company

Leader / oversight role	In-seat history and relevant background	Current accountability
Jayshree Ullal, CEO and Chairperson	CEO and director since October 2008; Chairperson since December 2023; previously Cisco SVP of Data Center, Switching and Services	Strategy, general operations, leadership team and the cloud/AI, enterprise and campus portfolio direction
Chantelle Breithaupt, SVP and CFO	Joined January 2024; CFO since February 12, 2024; former Aspen Technology CFO; earlier Cisco finance leadership and 15 years at GE	Finance and capital allocation; expanded in 2025 to legal operations, cybersecurity and IT oversight
Kenneth Duda, founder, President and CTO	Founder active since 2004; CTO since 2011; President since September 2025; director since December 2023	R&D, EOS architecture and technology innovation, including AI networking
Todd Nightingale, President and COO	Joined June 2025; former Fastly CEO and Cisco EVP/GM of Enterprise Networking and Cloud	Enterprise data centers, campus networks, manufacturing and operational scaling
Daniel Scheinman, lead independent director	Director since 2011; former Cisco SVP; also lead independent director at other public companies	Independent sessions, CEO liaison, strategy, risk and succession oversight

The 2026 proxy identifies four executive officers, not separate segment heads, because Arista has one reportable segment. The 2025 reorganization is important: Duda owns research and technology, while Nightingale owns enterprise/campus/manufacturing execution. That split reduces key-person concentration below Ullal and creates a plausible succession bench without prematurely naming a successor. Breithaupt is still comparatively new, but her remit expanded after the general counsel's 2025 departure, signaling confidence and continuity rather than finance instability. The [proxy executive-officer disclosure](https://www.sec.gov/Archives/edgar/data/1596532/000119312526158942/d66465ddef14a.htm) gives the relevant dates and responsibilities.

The board has nine directors, seven of whom are independent; only Ullal and Duda are employees. Every committee is independent, and independent directors meet in executive session at each board and Audit Committee meeting. Scheinman's long tenure can weaken the appearance of fresh challenge, and the classified board delays full board turnover. Yvonne Wassenaar also sits on three other public boards, a workload worth watching. Offsetting those concerns are a formal lead-independent role, a fully independent Audit Committee, and recently added technical depth. The CEO/Chair combination is therefore acceptable, not ideal.

2. Tenure and track record

Ullal has been CEO for nearly 18 years and owns the current strategy. This is not a case where a new leader inherits attractive numbers. Three decisions define her stewardship:

Decision owned by Ullal and team	Observable output from verified package	Assessment
Build a software-led cloud networking platform on EOS and merchant silicon	Revenue rose from $2.948B in FY2021 to $9.006B in FY2025, a 32.2% CAGR; margin on Income from operations rose from 31.4% to 42.8%	Exceptional organic execution and operating leverage
Extend the architecture from cloud titans into enterprise, campus, routing and services	Service revenue rose from $0.570B to $1.429B; R&D increased from $0.587B to $1.237B; VeloCloud added SD-WAN/branch capability	Coherent adjacency expansion, though VeloCloud economics remain undisclosed
Position Ethernet for AI fabrics while securing scarce supply	Q2 2026 revenue reached $3.036B, up 37.7%, with 45.4% GAAP operating margin; the latest 2026 AI-networking target is at least $3.6B	Strong initial proof, but $9.7B of purchase commitments creates a future demand-matching test

ROIC rose from 23.6% in FY2021 to 35.7% in FY2023 and remained 30.9% in FY2025 under a conservative definition that leaves short-term marketable securities in invested capital. That is powerful evidence that growth has created economic value rather than merely enlarged revenue. The FY2025 decline from the peak is not yet an execution failure; the denominator expanded with cash, inventory and commitments. It is nevertheless the correct metric to monitor as AI supply commitments grow.

No large failed acquisition or quiet disposal was identified. The limitation is disclosure: acquired products are not separately reported, so investors cannot calculate deal-level returns. VeloCloud closed June 30, 2025 for $300M cash and is strategically logical because secure SD-WAN extends campus into the branch. It is too early to call the acquisition accretive, and management has not supplied a stand-alone revenue or margin bridge. That is an unresolved evidence gap, not evidence of destruction.

Breithaupt has been CFO for only about two and a half years, so she cannot claim Ullal's full capital-allocation record. During her tenure, Arista has remained debt-free, preserved a large net-cash position, funded rising R&D, completed one bounded acquisition and used repurchases without initiating a dividend. Her call performance is notably quantitative: she separates mix, tariff and supply effects and regularly ties guidance to what can actually be sourced.

3. Capital allocation behavior

Fiscal year	Capex ($B)	R&D ($B)	Buybacks ($B)	Dividends ($B)	M&A cash ($B)
2021	0.0647	0.5868	0.4116	0.0000	0.0199
2022	0.0446	0.7284	0.6703	0.0000	0.1451
2023	0.0344	0.8549	0.1123	0.0000	0.0000
2024	0.0320	0.9967	0.4236	0.0000	0.0000
2025	0.1195	1.2373	1.6031	0.0000	0.3000

The pattern is consistent with Arista's model. Outsourced manufacturing keeps fixed capex low, while R&D dollars grew at a 20.5% CAGR. The important capital burden is instead inventory and legally binding purchase commitments: $6.8B at FY2025 and $9.7B at Q2 2026. Management is funding the software and systems roadmap while securing components for AI demand; it is not starving the core to manufacture near-term free cash flow.

M&A has been restrained. Aggregate cash spending was small in 2021-2022, there was no material acquisition in 2023-2024, and VeloCloud was $300M in 2025. Goodwill plus net acquisition intangibles were only $0.705B at FY2025 against $12.371B of equity. There is no serial-deal or balance-sheet-repair pattern.

Repurchases are less impressive. Annual spending was uneven, which is better than a rigid quarterly program, and Q2 2026 included no repurchase while the CFO reiterated that timing depends on price and business conditions. Yet diluted shares were 1,277.0M in FY2021 and 1,275.7M in FY2025: $3.22B of five-year buybacks mainly prevented dilution rather than materially shrinking the denominator. FY2025's $1.60B outlay also occurred at a much richer valuation than earlier periods. There is no disclosed intrinsic-value framework, so buybacks deserve credit for anti-dilution, not for proven opportunistic capital allocation.

4. Compensation alignment and dilution

The 2026 proxy reveals both strong alignment and a design weakness. Ullal received no new PRSU grant in 2025, and all her outstanding equity is performance-contingent; half is tied to three-year CAGR performance. Other named officers generally receive a roughly 50/50 mix of PRSUs and time-based RSUs with four-year or longer vesting. The CFO's $4M role-expansion award requires service extending to 2032. Nightingale's hiring package was much richer: $30M of stated RSUs plus $2M of

near-term PRSUs, with total 2025 reported compensation of $52.3M after all award accounting. The committee says the award replaced forfeited Fastly equity and secured a critical COO, but the scale explains part of the shareholder concern.

For 2025, annual incentives and the AOP PRSUs were weighted 50% to revenue and 50% to non-GAAP operating income. Revenue target was $8.2B with maximum payout at $8.5B; non-GAAP operating-income target was $3.8B with maximum at $3.95B. Those narrow roughly 4% target-to-maximum bands produced maximum PRSU eligibility when actual results reached $9.0B and $4.3B. The metrics reward profitable growth, but omit ROIC, free cash flow and relative TSR. Excluding SBC from the operating-income metric also weakens cost accountability. This is the clearest compensation shortcoming.

Fiscal year	SBC ($M)	SBC / revenue	Diluted shares (M)
2021	186.9	6.3%	1,277.0
2022	230.9	5.3%	1,265.8
2023	296.8	5.1%	1,268.5
2024	355.4	5.1%	1,281.1
2025	439.2	4.9%	1,275.7

SBC dollars rose, but SBC/revenue declined and the proxy reports one-year and three-year burn rates below 1%. This is meaningful discipline, even though buybacks have been needed to keep diluted shares flat.

Ownership is unusually strong. At April 2, 2026, the Bechtolsheim Family Trust beneficially owned 14.6%. Ullal beneficially owned 29.30M shares, or 2.3%: 122,729 were direct, about 29.14M were in family trusts under shared or sole voting/investment control, and only 39,664 were near-term RSUs/options. Duda beneficially owned 3.52M, of which roughly 3.22M were held directly or through family, charitable and grantor trusts rather than near-term equity. Breithaupt held 69,624 shares directly and Nightingale 6,128. The proxy's [ownership footnotes](https://www.sec.gov/Archives/edgar/data/1596532/000119312526158942/d66465ddef14a.htm) make the distinction clear.

The board amended ownership guidelines in April 2026 to six times salary for the CEO and three times salary for the CFO and presidents, although unvested time-based RSUs count. A mandatory Dodd-Frank clawback applies after restatements regardless of fault. Hedging, derivatives, pledging and margin-account holding are prohibited. Those protections are sound. Still, 2025 say-on-pay support dropped from 93% in 2024 to 62%, a serious warning rather than noise. The board's response emphasized long-dated awards and outreach, but it did not add a return-on-capital metric.

5. Disclosure quality and candor

The eight-call review produces a strong guidance scorecard:

Call	Forward revenue guide	Subsequent result	Outcome
Q3 2024	Q4 $1.85B-$1.90B	$1.930B	Beat
Q4 2024	Q1 2025 $1.93B-$1.97B	$2.005B	Beat
Q1 2025	Q2 $2.10B	$2.205B	Beat
Q2 2025	Q3 $2.25B	$2.308B	Beat
Q3 2025	FY2025 midpoint $8.87B	$9.006B	Beat
Q4 2025	Q1 2026 $2.60B	$2.709B	Beat
Q1 2026	Q2 $2.80B	$3.036B	Beat
Q2 2026	Q3 $3.30B	Pending	Not scored

Management beat all seven completed revenue anchors and missed none. The magnitude rose as supply improved, suggesting conservative guidance and real sourcing uncertainty rather than scrambling. The full-year 2026 target progressed from roughly $10.65B at Analyst Day to $11.5B after Q1 and $12.6B after Q2. Investors should not extrapolate perpetual beats, but the record supports credibility.

Question handling is better than the average hardware company. Management acknowledged that cloud/AI mix reduces gross margin; in Q2 2026 Breithaupt quantified a tariff-refund benefit at roughly 20-30 basis points versus guide. Ullal said scale-up is an area where Arista is “less prevalent,” named InfiniBand and NVLink as competitors in the 10-K, and repeatedly admitted that supply, not demand, constrained what could ship. On customer concentration, she confirmed continuing

commitments to Microsoft and Meta and expected one or perhaps two additional 10% customers, while refusing to identify exact new customers before shipments. That is a confidentiality boundary, not a denial of concentration. The verified package also records 52% combined receivables concentration across the top two reseller accounts, making the disclosure sufficient to identify the risk even though investors cannot independently map every reseller balance to an end customer.

Four of the eight quarters contained at least one guarded answer on a load-bearing sub-question—usually exact customer identity, business-mix decomposition or deferred-revenue components—but **zero of eight showed pervasive evasion**. Management often says it does not guide component pieces, yet then supplies useful end-market targets, margin ranges, customer counts, RPO/deferred revenue and supply commitments. The 10-K plainly disclosed two customers at 26% and 16% of FY2025 revenue, a 42% total. Voluntary AI, campus, Etherlink-customer and purchase-commitment disclosures are unusually decision-useful, though product-level margins and acquisition economics remain absent.

6. Strategic coherence

The strategy is durable rather than a sequence of pivots. The 10-K describes the architecture as a “single operating system (EOS), a single data lake (NetDL), and a single management solution (CloudVision).” The same software foundation extends from cloud and data-center switching into AI scale-out/scale-across, routing, campus and branch. R&D policy is likewise explicit: advance core products, expand into new markets and maintain quality.

Investment matches the words. R&D more than doubled in four years; VeloCloud filled the branch/SD-WAN gap; Duda's promotion reinforces technology ownership; Nightingale's appointment addresses manufacturing and enterprise execution; and recent R4, XPO, 1.6T, Scale-Up and campus launches extend a common architecture. Management also names threats directly: Cisco and other vendors across networking, white-box/disaggregated systems, InfiniBand/NVLink in AI, Broadcom supply dependence and sole-source components.

The five-to-ten-year destination is credible: one software-led operational model spanning client-to-cloud and AI fabrics, with expansion from back-end scale-out to scale-across and eventually scale-up. The unresolved risk is whether a common architecture can preserve quality and margins as Arista enters more adjacencies and commits almost a year's revenue to supply. VeloCloud and scale-up require evidence, not just targets.

7. Governance flags

Issue	Evidence	Judgment
Voting structure	One vote per common share; no Class B or dual-class structure	PASS
Insider influence	Bechtolsheim trust 14.6%; Ullal 2.3%; all current executives/directors 2.7% excluding Bechtolsheim	High influence, but economically aligned and no super-votes
Board structure	7/9 independent; independent committees; lead independent director; classified board	Acceptable with entrenchment caveat
Related parties	No >$120,000 related-party transaction since January 1, 2025 beyond disclosed compensation/indemnification arrangements	No material flag
Controls / reporting	Management found controls effective; EY issued unqualified opinions on statements and ICFR	No restatement or material weakness identified
Insider trading	Repeated Ullal and Duda sales, and smaller CFO sales, were disclosed under Rule 10b5-1 plans	Material monetization, but planned rather than opportunistic clustering

Live Form 4 review shows regular founder/executive selling rather than buying. Ullal's August 7, 2026 filings, including [this Form 4](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000185/edgardoc.xml), report sales under a Rule 10b5-1 plan across family-trust holdings; Duda's [July 22 filing](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000166/edgardoc.xml) does the same. The dollar value is material and should not be dismissed, but the proxy ownership shows substantial retained exposure. The signal would worsen if sales accelerate outside plans or ownership falls sharply.

No recent SEC enforcement, accounting restatement, material internal-control weakness or material legal settlement was identified in the live 10-K, proxy or recent corporate-action review. Governance is not founder-controlled in the legal sense: the company has one-share/one-vote common stock. The classified board, supermajority amendment provisions and large insider holdings can nevertheless slow a challenge to management.

8. Peer comparison

CEO / company	Capital allocation	Disclosure and stewardship versus Ullal
Chuck Robbins, Cisco	Large dividends and repurchases plus major M&A, including Splunk; dependable cash returns but slower organic growth and lower incremental efficiency	Cisco discloses more formal business segments, but Ullal ranks higher on organic innovation, margin expansion and per-dollar growth
Antonio Neri, HPE	Portfolio transformation culminated in the debt-funded Juniper acquisition; now prioritizing deleveraging	HPE offers richer segment disclosure and more explicit FCF/TSR compensation, but Ullal's balance-sheet restraint, ROIC and execution are superior

Against realistic networking alternatives, Ullal ranks first on five-year stewardship. Cisco is stronger on direct shareholder distributions and HPE's compensation design is more explicit about free cash flow and relative shareholder return. Neither matches Arista's combination of organic revenue CAGR, expanding Income from operations margin, debt-free balance sheet and sparse M&A. Arista is less transparent on segment economics because it reports one segment; that is a disclosure disadvantage, not enough to offset the operating record.

9. Verdict on the management gate

PASS. Ullal has nearly 18 years in-seat, owns the strategy, and has converted a coherent software architecture into 32% four-year revenue CAGR, expanding statutory operating margin and sustained roughly 31%-36% ROIC. Founder and CEO ownership is real, the board is substantially independent, leverage is absent, acquisitions are bounded, and management has beaten seven of seven completed recent revenue guides while discussing concentration, competition and supply risk with unusual specificity. We would follow this team for a decade, while recognizing that the exact CEO succession path may emerge sooner.

Three items could challenge the PASS: (1) promotion of a credible successor and continued clean execution by Duda/Nightingale/Breithaupt must offset Ullal key-person risk; (2) the compensation committee should restore strong say-on-pay support and add ROIC, FCF or relative-TSR discipline rather than relying on easy maximum bands; and (3) AI commitments and VeloCloud must produce per-share growth without inventory write-offs or material dilution. A restatement, repeated guidance miss on demand rather than supply, unplanned clustered insider exits, or ROIC falling below 20% without a credible recovery plan would move the gate to YELLOW or FAIL.

Arista Networks — Moat and 2046 Durability

Assessment date: 2026-08-15 **Scope:** One reportable segment, `Consolidated company`; Product and Service are revenue drivers, not separately reported operating segments. **Exact profit basis:** `Income from operations`.

Arista has a real moat, but it is an operating-system, qualification, and network-operations moat wrapped around non-exclusive merchant silicon—not a proprietary-hardware monopoly. The distinction matters. EOS, CloudVision, NetDL telemetry, deep co-engineering with demanding customers, and a record of reliable multi-generation execution make replacement costly in production networks. Yet Ethernet is open, Broadcom silicon is available to others, SONiC lowers software-entry barriers, NVIDIA can bundle the accelerator and interconnect, and two end customers represented 42% of FY2025 revenue. The evidence therefore supports a strong present franchise but not an unconditional 20-year pass.

1. Moat taxonomy applied

Network effects — weak to modest. Arista does not have a classic two-sided network in which each added buyer directly increases every other buyer's utility. A larger deployed base does create indirect learning effects: more production exposure, failure cases, telemetry patterns, integrations, trained engineers, and support feedback can improve EOS and CloudVision. More than 150 million cumulative ports, roughly 3,000 CloudVision customers, and more than 10,000 total customers in the verified data package indicate a substantial field base, but these are cumulative adoption points rather than proof of self-reinforcing retention. Open APIs also let customers benefit without accepting a closed ecosystem. Treat the installed base as an experience and ecosystem advantage, not a network effect strong enough to carry the moat by itself.

Switching costs — strong in qualified production estates, weaker at greenfield hyperscalers. The cost is not merely replacing a box. Customers qualify hardware and software combinations, build templates and automation around EOS, train network engineers, integrate telemetry and incident procedures, and depend on predictable behavior during upgrades and failures. Arista's 2025 Form 10-K says large deployments require extensive evaluation, testing, qualification, and acceptance; CloudVision adds network-wide provisioning, rollback, historical state, compliance, and risk workflows. Those practices make a wholesale replacement risky and labor intensive. However, standards-based Ethernet, OpenConfig, Linux, and merchant silicon deliberately preserve interoperability. A sophisticated hyperscaler can introduce an alternate vendor by network role or build its own operating stack; switching costs protect the installed footprint more than they guarantee the next architecture win. [Arista FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000013/anet-20251231.htm); [CloudVision architecture](https://www.arista.com/en/products/eos/eos-cloudvision).

Scale economies — strong in software and systems engineering, moderate in procurement. One EOS code base across data center, AI, routing, campus, and WAN lets Arista amortize R&D, testing, security, and support over a growing product estate. FY2021-FY2025 revenue compounded at 32.2% while operating margin expanded from 31.4% to 42.8%; R&D dollars more than doubled, but R&D fell from 19.9% to 13.7% of revenue. Outsourced manufacturing kept FY2025 capex at only 1.3% of revenue. This is genuine software-style operating leverage. Volume also helps supplier access, but the largest customers extract discounts and bespoke terms, so customer scale transfers some economics back to buyers. Arista's $9.7 billion of non-cancellable purchase commitments at Q2 2026 is supply insurance and bargaining evidence, but also a liability if deployment timing turns.

Brand — strong in cloud data centers; developing in campus and AI back-end fabrics. In high-trust networking, brand means demonstrated uptime, feature quality, support, and engineering credibility. Appendix B's live competitive work cites IDC's 19.0% Q4 2025 data-center Ethernet share for Arista, versus 15.2% for fast-rising NVIDIA, while Cisco still held 27.6% of the overall Ethernet switch market. This confirms leadership, not monopoly. Arista is less entrenched in campus, where Cisco and HPE/Juniper bring broad channels and installed relationships, and not yet definitive in AI back-end fabrics, where accelerator-led pull is powerful. [IDC 2025 Ethernet switch review](https://www.idc.com/resource-center/blog/ethernet-switch-market-size-and-growth-datacenter-segment-surges-60-in-q4-as-ai-workloads-expand/).

Regulatory protection — absent. Arista has no license, concession, or mandated standard that excludes rivals. Government and regulated-sector procurement can reward security validation and trusted support, but that is high-trust procurement, not regulatory scarcity. Lack of regulatory protection is strategically healthy because returns do not depend on a revocable franchise, but it contributes no independent moat.

IP and patents — moderate, supporting rather than decisive. EOS's modular state architecture, diagnostics, system design, and software implementation embody valuable know-how and protected intellectual property. Still, the industry uses open protocols and common merchant silicon, and Arista exposes software or selected source code to partners. The 2018

Cisco settlement is a useful warning against treating IP as an impregnable wall: Arista paid $400 million, recorded a $405 million operating charge, and modified parts of its command-line interface. The company subsequently prospered, which suggests its durable advantage is execution and architecture rather than exclusionary patents. [2018 Cisco settlement filing](https://www.sec.gov/Archives/edgar/data/1596532/000159653218000171/a8-klegalsettlementwithcis.htm).

High-trust procurement — strong and central. A failed switch, buggy upgrade, or congested AI fabric can idle costly accelerators or impair an application estate. Buyers therefore care about qualification, deterministic behavior, root-cause diagnosis, response time, and the ability to change a network without an outage. EOS process modularity, CloudVision change control and rollback, real-time telemetry, and A-Care support address precisely those risks. This trust is earned slowly and can be destroyed quickly. It is strongest where network failure costs dwarf equipment savings and weakest where an expert buyer can operate white-box hardware economically.

2. Per-segment moat

Consolidated company — present durability: strong over five years, credible but unresolved over ten to twenty years. Arista has one reportable segment, and its issuer-disclosed segment profit metric is statutory `Income from operations`. Appendix B identifies three defensibility layers: accumulated software-operating credibility, engineering coordination across silicon/hardware/optics/protocols, and an installed-base ecosystem flywheel. I agree, but haircut the blend because Product supplied 84.1% of FY2025 revenue while Service was 15.9%. Product benefits from qualification and fleet-level software consistency but remains exposed to commoditization. PCS is more recurring—renewable, fee-based support, repair, patches, and upgrades generally lasting one to three years—but separate Product and Service margins are not disclosed. [Arista FY2025 Form 10-K, revenue recognition](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000013/anet-20251231.htm).

The earliest break signal would be a sustained combination of lower qualification win rates, slower EOS/CloudVision expansion, and gross-margin erosion—not one volatile quarter. Specific danger signs are: top customers assigning more fabric roles to SONiC/white-box or vertically integrated vendors; Etherlink customer growth stalling after initial trials; support and software growth falling below hardware growth without a mix explanation; and the GAAP gross margin settling below 60% while revenue still grows. Blended moat quality is lower than the strongest software/support layer because most revenue is Product, the merchant silicon is non-exclusive, and very large buyers negotiate discounts. Conversely, embedded EOS functionality means Product is not a commodity chassis line divorced from software.

3. Margin persistence evidence

The verified data package supplies FY2021-FY2025 and TTM figures; a fresh 2026-08-15 FMP annual pull extends the statutory record. Arista's gross margin remained in a narrow 61%-65% band from FY2016 through FY2025 despite speed transitions, supply inflation, large-customer mix, and visible competition. GAAP operating margin rose structurally from 21.6% in FY2016 to 42.8% in FY2025 and 43.1% for TTM ended 2026-06-30. The apparent FY2018 collapse to 12.7% was not competitive compression: the company recorded a one-time $405 million Cisco legal-settlement charge; non-GAAP operating margin was 36.7%. FY2020 revenue declined 3.9% while GAAP operating margin remained 30.2%, a useful though limited stress observation.

Fiscal year	Revenue ($B)	Gross margin	GAAP operating margin	Interpretation
2016	1.129	64.0%	21.6%	Early scale-up
2017	1.646	64.5%	28.6%	Operating leverage
2018	2.151	63.8%	12.7%	Distorted by $405M legal charge
2019	2.411	64.1%	33.4%	Normalized profitability restored
2020	2.318	63.9%	30.2%	Revenue contraction absorbed
2021	2.948	63.8%	31.4%	Growth resumed
2022	4.381	61.1%	34.9%	Supply and mix pressure; leverage held
2023	5.860	61.9%	38.5%	Scale economics visible
2024	7.003	64.1%	42.0%	Strong price/mix and leverage
2025	9.006	64.1%	42.8%	High margin sustained
TTM 2026-06-30	10.541	63.0%	43.1%	Gross mix eased; opex leverage offset

Sources: verified data package; [live FMP annual income-statement endpoint](https://financialmodelingprep.com/stable/income-statement?symbol=ANET&period=annual); [Arista 2018 settlement filing](https://www.sec.gov/Archives/edgar/data/1596532/000159653218000171/a8-klegalsettlementwithcis.htm). No reportable subsegment operating margins exist. The margin record is powerful evidence that rivals were not simply asleep: Cisco remained dominant in campus, white boxes were already credible, and successive speed cycles required reinvestment. But expansion also coincided with extraordinary hyperscale and AI growth; today's 43% operating margin has not been tested through an AI-capex downturn with current customer concentration and $9.7 billion of purchase commitments.

4. AI disruption stress test

EOS, CloudVision, and network operations: Parts of the operator workflow—querying telemetry, drafting configurations, triaging alerts, and explaining probable causes—are prompt-to-output tasks that foundation models can improve or replicate. Arista's defensibility cannot rest on an assistant interface. It rests on privileged, real-time network state; validated change controls; deterministic device actions; historical telemetry; integrations; and accountability for production outcomes. CloudVision already uses NetDL state for analytics, rollback, compliance, and application-to-network correlation. AI is therefore more likely to improve the control plane and reduce operating cost than to eliminate it. The risk is that a hyperscaler, NVIDIA, Cisco, or an open ecosystem pairs comparable AI operations with its own installed data and hardware platform.

Switching, routing, and AI fabrics: These are chokepoint economics. Physical bandwidth, buffers, optics, thermals, congestion control, lossless behavior, qualification, and uptime determine whether expensive compute stays utilized. A model cannot prompt a 102.4-terabit fabric into existence. AI expands the traffic and the cost of poor networking, making Arista platform-adjacent and potentially more valuable. Yet platform adjacency is not ownership: NVIDIA offers NVLink scale-up, Quantum InfiniBand and Spectrum-X Ethernet scale-out, Spectrum-XGS scale-across, NICs/DPUs, optics, and software as an integrated stack. Cisco now offers Silicon One and NVIDIA Spectrum-X silicon with NX-OS or SONiC plus unified management. HPE/Juniper markets open, vendor-flexible Ethernet with Apstra and Marvis AIOps. These offerings directly attack Arista's combination of performance and operational simplicity. [NVIDIA AI networking](https://www.nvidia.com/en-us/networking/); [Cisco Nexus One for AI](https://www.cisco.com/c/en/us/products/collateral/networking/cloud-networking-switches/nexus-9000-switches/nexus-9000-ai-networking-aag.html); [HPE Juniper AI data center](https://www.hpe.com/us/en/juniper-ai-data-center.html).

Merchant silicon, SONiC, and in-sourcing: Broadcom dependency is simultaneously efficient and dangerous. Arista avoids semiconductor capex and rides a leading silicon roadmap, but Broadcom supplies others and can enable white boxes. SONiC uses the Switch Abstraction Interface across multiple ASIC vendors, is fully open source and customizable, and is deployed in Microsoft production data centers. This proves that a sophisticated buyer can separate the network operating system from branded hardware. It does not prove that every enterprise can support SONiC: the official project says it is community-supported and Microsoft does not provide customers network-engineering support. Arista's moat is therefore strongest for customers unwilling to recreate engineering, qualification, observability, and support, and weakest among hyperscalers already capable of doing so. [SONiC official FAQ](https://github.com/sonic-net/SONiC/wiki/FAQ); [SONiC architecture](https://github.com/sonic-net/SONiC/wiki/Architecture).

Campus, branch, and Service: Campus is the most exposed business driver because incumbents can bundle switching, wireless, security, WAN, support, and financing through broader channels. AI assistants can narrow CloudVision's user-experience advantage if competitors achieve similar diagnosis and automation. Service is the most protected driver because installed hardware, fleet history, trusted escalation, spares, and accountability cannot be reproduced by a generic model. Overall, AI is demand-positive for Arista's physical and control-plane chokepoints but raises the probability that an accelerator owner or open stack controls the architecture.

5. The 2046 test

Specific 2046 description. On 2026-08-15, twenty years forward is **2046-08-15**. In a credible durable case, Arista sells qualified, high-speed network fabrics and a common network operating and data platform spanning AI scale-up, scale-out and scale-across, cloud data centers, enterprise campuses, branch/WAN, and routing. Hyperscalers, neoclouds, carriers, governments, financial institutions, and large enterprises pay Arista because an independently engineered Ethernet fabric keeps scarce compute utilized, because one software/state model lowers the cost and failure risk of operating heterogeneous generations, and because trusted lifecycle support is cheaper than rebuilding qualification, telemetry, incident response, and change control internally. Product remains the larger revenue driver, but software subscriptions and PCS are a larger share than today; campus survives but does not displace data-center/AI as the quality anchor. Returns remain high because

EOS/CloudVision R&D is reused across a much larger installed base, manufacturing remains outsourced, capex stays low, and qualification plus operational switching costs preserve value-based economics. Directionally, operating margin is lower than the current 43%—perhaps mid-to-high 30s—as hardware standardizes and buyer scale grows, but it remains exceptional for a systems vendor.

That paragraph is specific enough to pass a plausibility test, but it is not yet sufficiently evidenced to pass the Gideon 20-year bar without conditions. Arista has not demonstrated Scale-Up revenue at production scale; management frames entry as 2027 and beyond. Etherlink had more than 100 customers by Q2 2026, but no comparable retention, production-volume, or wallet-share series is disclosed. Nor are CloudVision ARR, retention, or churn disclosed. The company's 2046 economics therefore depend on EOS/NetDL moving from differentiated tooling to a durable control-and-data layer across architecture shifts—not merely on selling faster merchant-silicon boxes.

Eroded 2046 description. In the bear case, accelerator vendors control rack-scale and back-end reference architectures, hyperscalers operate SONiC or proprietary NOS on ODM hardware, and Broadcom's silicon/software ecosystem makes system differentiation thinner. Cisco and HPE/Juniper win enterprises through integrated networking/security/compute bundles and global channels. Arista remains a respected Ethernet equipment supplier, but mostly for selected roles; PCS follows a smaller installed base, gross margin compresses into the 50s, and operating margin falls into the 20s as R&D must track more architectures without equivalent pricing. This is not the central case, but it is materially plausible—roughly a one-in-three durability risk—because the buyers, suppliers, and adjacent-platform owners are unusually powerful.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
NVIDIA vertical integration	NVLink/InfiniBand/Spectrum-X plus GPUs, NICs, optics and software makes the network part of an accelerator-led system decision	Consolidated; AI Product most exposed	Etherlink production wins lag AI target; Scale-Up slips beyond 2027; gross margin falls as AI mix rises	High
SONiC, white box and hyperscaler in-sourcing	Open NOS and SAI separate software from non-exclusive merchant silicon; buyers allocate more roles to ODM or internal stacks	Product and hyperscale support	Top-customer share falls because of vendor displacement rather than diversification; CloudVision adoption stalls; pricing declines accelerate	Medium-high
Cisco and HPE/Juniper bundles	Broad campus, security, compute, optics, channel and AIOps portfolios match Arista's operational proposition and discount across categories	Campus, branch, routing and enterprise Service	Campus/branch misses $1.25B trajectory; sales intensity rises; enterprise growth trails market while peers gain	Medium-high

Broadcom is a cross-cutting dependency rather than a fourth independent demand threat. Its roadmap helps Arista, but a supply delay, unfavorable allocation, pricing change, or deeper software/reference-stack push could simultaneously delay products and empower competitors. Broadcom's Tomahawk 6 already offers a 102.4 Tbps Ethernet platform with scale-up claims and a broader silicon/optics/software portfolio, underscoring that value can migrate toward the chip layer. [Broadcom Tomahawk 6](https://www.broadcom.com/company/news/product-releases/63146).

7. Pricing power verification

Pricing power is **observable in outcomes but weakly disclosed in mechanism**. The ten-year gross-margin band and expansion of operating margin while absorbing component inflation, tariffs, speed transitions, and large-customer mix show that Arista has retained considerable value. The FY2025 10-K says targeted price increases have been implemented from time to time in response to supply-chain inflation. It also says sales prices have historically declined for some offerings, large customers receive discounts, bundled upgrades and extended warranties, and price increases could reduce demand. There is no disclosed recent price-increase percentage, adoption rate, hardware ASP series, ARR, NRR, GRR, or churn, so one cannot verify broad list-price realization.

Contract evidence supports recurrence, not automatic pricing: PCS is renewable and fee-based, generally lasts one to three years, and is recognized ratably; annual and multi-year PCS contributes to deferred revenue. No disclosed contractual escalator or minimum-commitment structure proves inflation pass-through. Product contracts sometimes contain acceptance provisions, and large customers negotiate favorable terms. Accordingly, the moat earns credit for price/mix resilience and lifecycle value, but not for unqualified contractual pricing power. A future report should treat sustained gross margin with rising

AI/customer concentration as the cleanest observable test.

8. Moat verdict

Moat gate: YELLOW. Arista has a strong current moat in EOS consistency, CloudVision/NetDL operational embedding, qualification, support, and high-trust execution; ten-year gross-margin persistence and expanding normalized operating margins make it observable rather than promotional. The gate remains YELLOW because the largest profit pool is hardware-heavy, merchant silicon is non-exclusive, two customers supplied 42% of FY2025 revenue, and the AI architecture can be captured by NVIDIA, open NOS/white box, or hyperscaler in-sourcing.

2046 test: YELLOW. A specific high-return 2046 company is credible—buyers pay for qualified open-Ethernet fabrics, a common state/automation platform, and accountable support—but future Scale-Up relevance and durable software/control-plane ownership are not yet demonstrated. Upgrade both gates to **PASS** if (1) Etherlink and future Scale-Up deployments broaden from trials into sustained production across customers while AI-heavy gross margin remains at least about 62%, (2) CloudVision/software/support adoption grows with disclosed or inferable retention and Service continues durable double-digit growth, and (3) top-two revenue concentration falls below roughly 30% through growth of other customers rather than loss of wallet share. Downgrade to **FAIL** if (1) GAAP gross margin remains below 58%-60% for four quarters without a temporary supply explanation, (2) major customers shift material network roles to NVIDIA/SONiC/white-box stacks and consolidated growth or Service attachment breaks, or (3) Scale-Up slips materially beyond 2027 while campus growth also misses and operating margin trends toward the 20s. Until one set of signals resolves the platform-shift question, courtesy grading would be inappropriate.

Arista Networks — Synthesis (Combined Earnings Model)

This production synthesis consolidates the reviewed single-segment forecast, rebuilds the diluted-share path from the sealed 1,274.9 million financial-share anchor, and applies the immutable USD 188.15 quote-packet price. Dollars are USD; table amounts are billions unless marked millions. Calculations retain more precision than displayed values. The corrected historical denominator is distinct from the packet continuity anchor: official standalone Q4 2025 diluted shares are 1,275.8 million, and day-weighted TTM diluted shares are 1,275.558356 million.

1. Anchors and gate control

Anchor	Locked value	Control and source
Today	2026-08-25 SGT	Orchestrator Stage 0
Fiscal year-end	December 31	`data_package.md`
TTM end	2026-06-30	Q3 2025, Q4 2025, Q1 2026 and Q2 2026
Horizon	2031-06-30	Exactly 5.0 calendar years after TTM end
Valuation price	USD 188.15 per NYSE common share	XNYS:ANET, raw exchange close, session 2026-08-24
Quote source hash	`cd024b05b3fcbac5fca51a71449540a660aa190474012f71430e9ee63580f798`	Exact raw quote evidence
Quote packet hash	`362af06725319aaefd7b83fd49029c3a0fdaad8fc10dcbd35b7fe95faba5711a`	Exact packet bytes; strict validator passed while unexpired
Quote expiry	2026-08-26T04:00:00+08:00	Next scheduled session close policy
Reporting / quote currency	USD / USD	FX factor 1.0, identity same currency, dated 2026-08-24
Financial share unit	Common share	Depositary factor 1.0; class factor 1.0; one financial share per listed unit
Split bridge	1,274.9M × 1.0 = 1,274.9M	No intervening split after 2026-06-30; split-source hash `682e4a3da8d9180ed83fe8271883b47ed789fcacaa0372ed5f8bc95ebea2f7c0`
Statutory bridge hash	`f473d89ca10e244c636d5f0b7fc05b96d8f2b7d11a93f2353bff68eee7ba6776`	Validator returned `STATUTORY_BRIDGE_VALID`

The durable manifest contains `QUANT FOUNDATION VERIFIED — CLEARED FOR WAVE 1`, `STATUTORY BRIDGE VERIFIED — CLEARED FOR FORECASTING`, and `DATA PACKAGE VERIFIED — CLEARED FOR WAVE 2`. Exact reviewed-input SHA-256 values are: `quant_foundation.md` `7d97b82af42f6e5d81dee739ad174edd9344b59d610ee5293f0e2a8e564c65e6`; `source_manifest.json` `342bb545afe4769d76fb1ded71d1c55d13d9305139be1fc921d4fd0f90af7316`; and `data_package.md` `efa00861faf67d1cb435ca84af307c9c593fa481f7b9bf6347f6d8ff1afc56ba` (41,312 bytes, 6,440 words). The reviewed segment, management and moat appendices also match their required hashes. The FY2025 and TTM statutory bridge residuals are all zero. Corrected TTM EPS is USD 3.1708467, so the packet price implies a current statutory TTM P/E of 59.3375x.

P&C insurer lane: NOT TRIGGERED — issuer is not a P&C insurer or reinsurer. No `insurer_return_bridge.json` is created.

2. Segment-level forward assumptions

Arista has one reportable and modeled segment. Product and Service are revenue types, not profit-reporting segments. The reviewed segment appendix is reproduced without changing its revenue or margin scenarios.

Segment	Exact profit metric	TTM revenue	Bear TTM+5y revenue	Base TTM+5y revenue	Bull TTM+5y revenue	Bear margin	Base margin	Bull margin
Consolidated company	Income from operations	10.5408	15.5293	21.3078	26.7722	36.50%	42.80%	46.50%

Source: `appendix_B_consolidated_company.md` §§8–10. The exact terminal revenue values are 15.5293243, 21.3078288 and 26.7721583. The exact operating-income values are 5.6682034, 9.1197507 and 12.4490536. Scenario probabilities remain 30% Bear, 50% Base and 20% Bull.

Product and Service are retained as a bottoms-up revenue cross-check. Their terminal values are 12.8119611 / 2.7173632 in Bear, 18.0099586 / 3.2978701 in Base, and 23.0245787 / 3.7475797 in Bull. No product-level margin is invented because the issuer does not disclose it.

3. Combined revenue build

Line	Bear	Base	Bull
Sum of segment TTM+5y revenue	15.5293243	21.3078288	26.7721583
Corporate eliminations	0.0000000	0.0000000	0.0000000
Combined TTM+5y revenue	**15.5293243**	**21.3078288**	**26.7721583**
Implied TTM-to-TTM+5y CAGR	8.06%	15.12%	20.49%

The TTM anchor is 10.5408. One segment supplies 100% of consolidated revenue, so consolidation has no elimination or residual. The Product plus Service arithmetic exactly reproduces each case: 12.8119611 + 2.7173632 = 15.5293243; 18.0099586 + 3.2978701 = 21.3078287 before source-display rounding; and 23.0245787 + 3.7475797 = 26.7721584 before source-display rounding.

4. Combined operating income build

Line	Bear	Base	Bull
Sum of segment profit on sealed common metric	5.6682034	9.1197507	12.4490536
Corporate / unallocated adjustments	0.0000000	0.0000000	0.0000000
Consolidated segment-profit metric	5.6682034	9.1197507	12.4490536
Operating bridge adjustments	0.0000000	0.0000000	0.0000000
Combined statutory TTM+5y operating income	**5.6682034**	**9.1197507**	**12.4490536**
Implied operating margin	36.50%	42.80%	46.50%

The sealed FY2025 and TTM bridges contain no corporate/unallocated or operating adjustment. Accordingly, no forward plug is permitted. Bear compression reflects hyperscaler pauses, pricing, commitment risk and fixed R&D; Base preserves the reviewed near-flat margin; Bull requires clean supply conversion, platform pricing and operating leverage. These are the exact drivers in `appendix_B_consolidated_company.md` §9.

5. Net income and EPS build

Other income is kept below operating income. The scenario assumption is terminal-year average cash and securities of 13.0 / 20.0 / 28.0 multiplied by after-fee yields of 2.0% / 2.5% / 3.0%, producing 0.260 / 0.500 / 0.840. This is an analyst path anchored to Q2 2026 cash plus securities of 13.343, not an operating-margin benefit. Tax rates are 22.5% / 21.5% / 20.5%; Base uses management's latest 21.5% non-GAAP guide as an assumption rather than relabeling it as GAAP history.

Line	Bear	Base	Bull
Combined TTM+5y OI	5.6682034	9.1197507	12.4490536
Net interest income	Included in Other income, net	Included in Other income, net	Included in Other income, net
Other income, net	0.2600000	0.5000000	0.8400000
Pre-tax income	5.9282034	9.6197507	13.2890536
Tax rate	22.50%	21.50%	20.50%
Net income	**4.5943576**	**7.5515043**	**10.5647976**
Quote-basis diluted financial shares at TTM+5y, M	1,305.3760	1,288.1056	1,281.7054
EPS in USD per quote-basis financial share	3.5195665	5.8624887	8.2427657
Financial shares per listed unit	1.0000000	1.0000000	1.0000000
EPS in USD per listed unit	3.5195665	5.8624887	8.2427657
FX, USD per reporting USD	1.0000000	1.0000000	1.0000000

Line	Bear	Base	Bull
EPS in quote currency per listed unit	**3.5195665**	**5.8624887**	**8.2427657**

The mandatory identity is `NI ÷ quote-basis diluted financial shares × 1.0 listed-unit factor × 1.0` FX. Neither the 1,261.2 million point-in-time common shares nor the 1,276.0 million Q2 weighted denominator is substituted for the explicit terminal diluted path.

5a. Return-method input bridge

CS must select the primary method after valuation preflight. S supplies reconciled P/E inputs and a claim-by-claim EV/NOPAT bridge without a residual net-debt plug.

Return input	Bear	Base	Bull	Source / treatment
Statutory operating income	5.6682034	9.1197507	12.4490536	Section 4
Normalized cash tax rate	22.50%	21.50%	20.50%	Scenario assumption
Normalized NOPAT	4.3928576	7.1590043	9.8969976	OI × one minus tax rate
Terminal cash plus marketable securities	15.0	22.0	30.0	Q2 2026 anchor 13.343; explicit retained-cash scenario path
Gross debt	0.0	0.0	0.0	No debt in controlling filings; no debt issuance assumed
Lease liabilities	Unavailable	Unavailable	Unavailable	FY2025 payment obligations 0.091; no updated Q2 schedule or terminal path
Preferred equity	0.0	0.0	0.0	No preferred issued
Minority interest	0.0	0.0	0.0	No NCI claim identified in the sealed package
Other senior claims	Unavailable	Unavailable	Unavailable	No terminal source-bound claim schedule; no residual inserted
Separately valued non-operating assets	0.0	0.0	0.0	Cash/securities already shown; goodwill and intangibles are operating assets
Diluted listed-equivalent shares, M	1,305.3760	1,288.1056	1,281.7054	Section 6; depositary/class factors both 1.0
Cumulative distributions per share	0.0 diagnostic	0.0 diagnostic	0.0 diagnostic	No dividend history or announced dividend path; repurchases affect shares once

The 9.7 Q2 2026 purchase commitments are operating procurement obligations, not debt and not a free EV deduction; their terminal path is unavailable. The 8.4 performance obligations are customer-contract obligations, not a senior capital claim. The 0.124 supplier deposit is an asset within operations and is not netted against commitments or added as a separate non-operating asset. Because the terminal lease and other-senior-claim paths are unavailable, EV/NOPAT cannot control. The fully reconciled statutory EPS path remains available for P/E preflight. No cash, debt, lease, commitment, award, or distribution is counted twice.

6. Explicit share-count and security-unit path

Denominator separation and opening claims

Measure	Amount, M	Exact role
Point-in-time common shares	1,261.2	Opening common-stock roll-forward at 2026-06-30
H1 2026 quote-packet diluted financial shares	1,274.9	Mandatory starting diluted continuity anchor
Q2 2026 diluted weighted-average shares	1,276.0	Historical cross-check only
H1 basic weighted-average shares	1,258.9	H1 EPS flow denominator only
H1 weighted award dilution	16.0	Historical treasury-stock-method cross-check only
Gross unvested RSUs	24.6	Award inventory; never added one-for-one to diluted shares

Measure	Amount, M	Exact role
FY2025 dated options reference	0.8	Historical reference at 2025-12-31, not a current H1 fact
Antidilutive H1 awards excluded	0.4	Sensitivity, not automatically dilutive

The current option count is a true non-disclosure. The model uses an explicit 0.6 million opening assumption, exercises 0.3 million in year one and 0.2 million in year two at the dated $12.93 reference strike, and expires 0.1 million in year two. This is not presented as a filing fact. ESPP issuance is assumed at 0.7 million annually, matching FY2025 quantity; proceeds use 85% of each scenario average price as an explicit purchase-price assumption. Option and ESPP proceeds enter the treasury-stock logic once. Future RSU grants, vests and forfeitures are shown as award-stock activity; vesting plus options plus ESPP equals gross employee-plan common issuance, so there is no unallocated residual.

Instrument inventory by scenario

Case / year	Opening RSUs	Grants	Vests	Forfeitures	Closing RSUs	Opening options	Exercises	Expiries	Closing options	ESPP issuance
Bear 2027	24.6	8.0	7.0	1.2	24.4	0.6	0.3	0.0	0.3	0.7
Bear 2028	24.4	8.0	7.5	1.2	23.7	0.3	0.2	0.1	0.0	0.7
Bear 2029	23.7	8.0	8.0	1.2	22.5	0.0	0.0	0.0	0.0	0.7
Bear 2030	22.5	8.0	8.0	1.2	21.3	0.0	0.0	0.0	0.0	0.7
Bear 2031	21.3	8.0	8.0	1.2	20.1	0.0	0.0	0.0	0.0	0.7
Base 2027	24.6	7.5	7.5	1.0	23.6	0.6	0.3	0.0	0.3	0.7
Base 2028	23.6	7.5	7.5	1.0	22.6	0.3	0.2	0.1	0.0	0.7
Base 2029	22.6	7.5	7.5	1.0	21.6	0.0	0.0	0.0	0.0	0.7
Base 2030	21.6	7.5	7.5	1.0	20.6	0.0	0.0	0.0	0.0	0.7
Base 2031	20.6	7.5	7.5	1.0	19.6	0.0	0.0	0.0	0.0	0.7
Bull 2027	24.6	7.0	7.5	0.8	23.3	0.6	0.3	0.0	0.3	0.7
Bull 2028	23.3	7.0	7.5	0.8	22.0	0.3	0.2	0.1	0.0	0.7
Bull 2029	22.0	7.0	7.5	0.8	20.7	0.0	0.0	0.0	0.0	0.7
Bull 2030	20.7	7.0	7.5	0.8	19.4	0.0	0.0	0.0	0.0	0.7
Bull 2031	19.4	7.0	7.5	0.8	18.1	0.0	0.0	0.0	0.0	0.7

Point-in-time common shares to diluted weighted shares

Case / year	Opening common	Gross plan issuance	Withholding	Shares retired	Ending common	Average common	TSM award dilution	Diluted weighted shares
Bear 2027	1,261.200	8.000	0.400	2.500	1,266.300	1,263.750	16.500	1,280.250
Bear 2028	1,266.300	8.400	0.400	2.424	1,271.876	1,269.088	17.000	1,286.088
Bear 2029	1,271.876	8.700	0.400	2.353	1,277.823	1,274.849	17.500	1,292.349
Bear 2030	1,277.823	8.700	0.400	2.286	1,283.837	1,280.830	18.000	1,298.830
Bear 2031	1,283.837	8.700	0.400	2.222	1,289.915	1,286.876	18.500	1,305.376
Base 2027	1,261.200	8.500	0.500	5.263	1,263.937	1,262.568	15.000	1,277.568
Base 2028	1,263.937	8.400	0.500	5.000	1,266.837	1,265.387	14.800	1,280.187
Base 2029	1,266.837	8.200	0.500	4.762	1,269.775	1,268.306	14.500	1,282.806
Base 2030	1,269.775	8.200	0.500	4.545	1,272.929	1,271.352	14.000	1,285.352
Base 2031	1,272.929	8.200	0.500	4.348	1,276.282	1,274.606	13.500	1,288.106
Bull 2027	1,261.200	8.500	0.600	6.818	1,262.282	1,261.741	14.500	1,276.241
Bull 2028	1,262.282	8.400	0.600	6.250	1,263.832	1,263.057	14.000	1,277.057
Bull 2029	1,263.832	8.200	0.600	5.769	1,265.663	1,264.747	13.500	1,278.247
Bull 2030	1,265.663	8.200	0.600	5.357	1,267.905	1,266.784	13.000	1,279.784
Bull 2031	1,267.905	8.200	0.600	5.000	1,270.505	1,269.205	12.500	1,281.705

Buybacks are 0.4 / 1.0 / 1.5 annually for Bear/Base/Bull, compared with the five-year historical average of 0.644 and FY2025's 1.603. Average-price assumptions rise by scenario and year. Repurchases retire shares and are not treated as

dividends. Withholding is a direct share reduction and is not added again to TSM dilution.

Required diluted-share continuity from the packet anchor

Case / year	Starting quote-basis diluted shares	Buyback	Average price	Shares retired	SBC issuance in diluted continuity	Ending quote-basis diluted shares
Bear 2027	1,274.900	0.400	160	2.500	7.850	1,280.250
Bear 2028	1,280.250	0.400	165	2.424	8.262	1,286.088
Bear 2029	1,286.088	0.400	170	2.353	8.614	1,292.349
Bear 2030	1,292.349	0.400	175	2.286	8.766	1,298.830
Bear 2031	1,298.830	0.400	180	2.222	8.768	1,305.376
Base 2027	1,274.900	1.000	190	5.263	7.932	1,277.568
Base 2028	1,277.568	1.000	200	5.000	7.618	1,280.187
Base 2029	1,280.187	1.000	210	4.762	7.381	1,282.806
Base 2030	1,282.806	1.000	220	4.545	7.092	1,285.352
Base 2031	1,285.352	1.000	230	4.348	7.101	1,288.106
Bull 2027	1,274.900	1.500	220	6.818	8.159	1,276.241
Bull 2028	1,276.241	1.500	240	6.250	7.066	1,277.057
Bull 2029	1,277.057	1.500	260	5.769	6.960	1,278.247
Bull 2030	1,278.247	1.500	280	5.357	6.894	1,279.784
Bull 2031	1,279.784	1.500	300	5.000	6.921	1,281.705

“SBC issuance in diluted continuity” is a reconciliation amount: ending diluted shares minus starting diluted shares plus retired shares. It captures period-weighted common issuance and the change in treasury-stock-method dilution. It is not gross RSU grants, SBC expense, or the 24.6 million award inventory. Across five years, Bear ties as 1,274.9 + 42.261111 – 11.785120 = 1,305.375991; Base as 1,274.9 + 37.123913 – 23.918343 = 1,288.105570; Bull as 1,274.9 + 36.000000 – 29.194555 = 1,281.705445.

7. P/E 15 test

Case	EPS at TTM+5y	EPS × 15	Quote-packet price	Cushion	Pass?
Bear	3.5195665	52.7935	188.15	-71.94%	FAIL
Base	5.8624887	87.9373	188.15	-53.26%	FAIL
Bull	8.2427657	123.6415	188.15	-34.29%	FAIL

The confident Base case controls. Required EPS at USD 188.15 and 15x is exactly USD 12.5433333333 per listed unit, versus modeled USD 5.8624887. Expressed against the exact P/E-15 EPS hurdle, scenario cushions are Bear -71.940740%, Base -53.262115% and Bull -34.285684%. Therefore the binary P/E 15 gate fails regardless of the Bull outcome. The packet price is not converted or refreshed.

8. Reflexivity check

TTM segment revenue of 10.5408 equals consolidated revenue of 10.5408, a 0.00% difference. TTM segment `Income from operations` of 4.5469 plus zero corporate and zero operating adjustments equals statutory operating income of 4.5469, a 0.00% difference. FY2025 segment revenue 9.0057 and operating income 3.8561 similarly equal consolidated values. No plug, scaling, or reclassification is used.

9. Latest interim bridge reconciliation

NOT TRIGGERED — four non-overlapping quarters were used: Q3 2025, Q4 2025, Q1 2026 and Q2 2026. Q4 2025 equals FY2025 less the nine months ended 2025-09-30. The full TTM was independently cross-checked as FY2025 less H1 2025 plus H1 2026. Revenue, OI, pretax income and NI tie to 10.5408, 4.5469, 4.9902 and 4.0446. Official standalone Q4 2025 diluted shares are 1,275.8 million. Diluted EPS is not summed; USD 4,044.6 million divided by the corrected 1,275.558356 million day-weighted TTM denominator equals USD 3.1708467. There is no overlapping YTD or half-year period.

10. Sensitivity — verdict drivers

Variable varied around Base	Down case EPS	Base EPS	Up case EPS	Direction / definition
Single modeled segment revenue CAGR ±200bp	5.3972	5.8625	6.3636	13.12% / 15.12% / 17.12%, exact five years
Single modeled segment OI margin ±200bp	5.6028	5.8625	6.1222	40.80% / 42.80% / 44.80%
Diluted share count ±5%	6.1710	5.8625	5.5833	Lower shares / Base / higher shares
Tax rate ±300bp	6.0865	5.8625	5.6384	18.5% / 21.5% / 24.5%

There is no Segment 2; that conditional is not triggered. Revenue CAGR is the largest modeled driver over five years, followed by share count and operating margin. Even the favorable end of each one-variable sensitivity remains far below the USD 12.5433333333 EPS required for the P/E 15 gate. The key monitoring variables are therefore sustained AI/campus revenue growth and whether employee-plan issuance is offset economically rather than merely cosmetically by buybacks.

11. Combined earnings summary

Case	Revenue	OI	OI margin	NI	EPS, USD per listed unit	Probability	EPS × 15	Versus USD 188.15
Bear	15.5293	5.6682	36.50%	4.5944	3.5196	30%	52.7935	-71.94%
Base	21.3078	9.1198	42.80%	7.5515	5.8625	50%	87.9373	-53.26%
Bull	26.7722	12.4491	46.50%	10.5648	8.2428	20%	123.6415	-34.29%
Probability-weighted	20.6671	8.7501	n.m.	7.2670	5.6357	100%	84.5350	-55.07%

Probabilities are non-uniform: Base receives 50% because current guidance, RPO and supply progress support execution; Bear receives 30%, more than Bull's 20%, because 42% top-two customer concentration and 9.7 of purchase commitments create asymmetric downside. Probability-weighted EPS is the arithmetic expectation of scenario EPS, not a fourth operating case.

Tie-out checks

- **PASS — Reported-financial and statutory-bridge tie-out.** TTM: 4,546.9 segment profit + 0 corporate + 0 operating bridge = 4,546.9 statutory OI; 10,540.8 segment revenue = 10,540.8 consolidated revenue. FY2025: 3,856.1 + 0 + 0 = 3,856.1 OI; revenue 9,005.7 = 9,005.7. All residuals are zero and within sealed tolerances. Sources: `statutory_bridge.json` and `data_package.md` §§2–3a.

- **PASS — NI / shares / listed unit / FX = EPS.** Bear: 4,594.357635 ÷ 1,305.375991 × 1.0 × 1.0 = 3.5195665. Base: 7,551.5042995 ÷ 1,288.105570 × 1.0 × 1.0 = 5.8624887. Bull: 10,564.797612 ÷ 1,281.705445 × 1.0 × 1.0 = 8.2427657. Source: Sections 5–6 and `quote_packet.json`.

- **PASS — Segment sum at horizon.** One segment contributes 15.5293243 / 21.3078288 / 26.7721583, exactly 100% of combined Bear/Base/Bull revenue; eliminations are zero. Source: Sections 2–3.

- **PASS — Product-to-segment rollup.** Product + Service equals segment revenue: Bear 12.8119611 + 2.7173632 = 15.5293243; Base 18.0099586 + 3.2978701 = 21.3078287, differing by only source-display rounding; Bull 23.0245787 + 3.7475797 = 26.7721584, also source-display rounding. Each is far inside 1%. Source: `appendix_B_consolidated_company.md` §10.

- **PASS — Weighted margin.** Product and Service profit margins are not disclosed, so the reviewed appendix correctly does not manufacture them. The sole sealed segment metric is consolidated `Income from operations`, directly applying 36.50% / 42.80% / 46.50% to total revenue. There is no multi-profit-line weighted average to reconcile. Source: `appendix_B_consolidated_company.md` §§9–10.

- **PASS — Share count and security-unit path.** 1,274.9 financial-statement diluted shares × 1.0 split factor = 1,274.9 quote-basis shares; ÷ 1.0 depositary/class factor = 1,274.9 listed equivalents. Five-year diluted continuity ties exactly:

Bear 1,274.9 + 42.261111 − 11.785120 = 1,305.375991; Base 1,274.9 + 37.123913 − 23.918343 = 1,288.105570; Bull 1,274.9 + 36.000000 − 29.194555 = 1,281.705445. Source: Section 6 and packet.

- **PASS — Growth plausibility.** Base Product CAGR 15.08% is below 1.2 × its 22.75% disclosed historical CAGR = 27.30%; Base Service 15.32% is below 1.2 × 31.13% = 37.36%; consolidated 15.12% is below 1.2 × 23.97% = 28.76%. No comparable-company override is needed. Source: segment appendix §§6 and 8.

- **PASS — Historical arithmetic.** Exact five-year schedules reproduce terminal revenue: Product Bear/Base/Bull 12,811.9611 / 18,009.9586 / 23,024.5787; Service 2,717.3632 / 3,297.8701 / 3,747.5797. Their exact CAGRs are 7.5009% / 15.0778% / 20.8725% and 10.9412% / 15.3214% / 18.3078%, matching displayed rates within rounding and all terminal rows within 1%. Source: segment appendix §§8–10.

- **PASS — Recency anchor.** The latest Q2 2026 revenue run-rate is 3.0357 × 4 = 12.1428. Base first-forward-year revenue is 13.0383, 7.37% above that annualized run-rate, within 10%. Its 23.7% increase from the TTM level is supported by the Q3 3.3 guide, 8.4 RPO, at least 3.6 AI target and 1.25 campus objective. Source: `data_package.md` §§5–6 and segment appendix §10.

- **PASS — Period and horizon integrity.** The model runs from 2026-06-30 to 2031-06-30, exactly 5.0 years. Four non-overlapping quarters form TTM; Q4 is FY2025 less comparable nine-month 2025, and the independent TTM cross-check is FY2025 less H1 2025 plus H1 2026. No six-year compounding or overlapping interim input exists. Source: `quant_foundation.md` P4 and segment appendix §§8–10.

- **PASS — Valuation, unit bridge, hashes and probability.** Recomputed packet SHA-256 is `362af06725319aaefd7b83fd49029c3a0fdaad8fc10dcbd35b7fe95faba5711a`; raw quote SHA-256 is `cd024b05b3fcbac5fca51a71449540a660aa190474012f71430e9ee63580f798`; and statutory bridge SHA-256 is `f473d89ca10e244c636d5f0b7fc05b96d8f2b7d11a93f2353bff68eee7ba6776`. XNYS common share, raw USD close, split 1.0, depositary/class factor 1.0 and FX 1.0 all reproduce packet units. EPS × 15 equals 52.7935 / 87.9373 / 123.6415. Probabilities total 100%; weighted EPS is 0.30 × 3.5195665 + 0.50 × 5.8624887 + 0.20 × 8.2427657 = 5.6356674. Base cushion is (87.9373305 − 188.15) ÷ 188.15 = -53.262115%, so Base controls the binary failure.

P/E 15 gate: FAIL — cushion -53.26%

SYNTHESIS CLEARED — 11/11 TIE-OUTS PASSED

Arista Networks (ANET) — Compounder Score

Analysis date: 2026-08-25. Price anchor: USD 188.15, the completed XNYS session close on 2026-08-24. Reporting and local-return currency: USD. TTM anchor: 2026-06-30. Exact terminal date: 2031-06-30. Exact horizon: 5.0 years. This appendix is a diagnostic underwriting artifact, not a trade, ranking, sizing, broker, order, message, or portfolio-mutation instruction.

1. Executive Verdict

Compounder Score: 69/100. Business Quality Score: 67/80. 20% Return Underwriting/Stretch Score: 2/20. Score-implied classification: Reject. The evidence supports an exceptional historical business with high capital efficiency, strong cash conversion, a debt-free balance sheet, credible management and a real EOS/qualification/support moat. The evidence does not support a dream investment at the frozen current price. Under the valuation method and exit multiples locked before return calculation, Bear, Base and Bull gross USD annualized shareholder IRRs are **-14.80%, 1.16% and 14.03%**. The probability-weighted gross USD annualized IRR is **0.98%**, calculated as the CAGR of probability-weighted terminal wealth, not an arithmetic average of scenario IRRs.

The same P/E terminal-wealth bridge, translated through explicit conservative FX and cost assumptions, produces Bear, Base and Bull net-SGD annualized IRRs of **-15.80%, 1.43% and 15.88%** and a probability-weighted net-SGD annualized IRR of **1.58%**. Base and probability-weighted outcomes fail the owner's 10%-15% net-SGD mandate and Base is below the 8% PASS boundary. The CIO actionability status is therefore **PASS**, meaning no allocation. `sizing_ceiling_pct` remains null. Owner approval would be required for any future capital action, and `trade_execution_authorized=false`.

The conclusion survives portfolio context. ANET is not already held directly, and its hardware classification could superficially diversify an existing software/services overweight. Economically, however, it adds a high-volatility AI-networking and hyperscaler-capex exposure to a portfolio that already owns indirect AI and technology exposure. The frozen covariance pack estimates ANET annualized SGD volatility at 48.3560%, correlation to the current portfolio at 0.3271, and a standardized 3%-funded pro-rata test that raises portfolio volatility by 0.1792 percentage points from 12.3253% to approximately 12.5045%. This standardized test is diagnostic evidence, not a sizing proposal. Diversification cannot rescue a 1.43% Base net-SGD IRR or a -15.80% Bear net-SGD IRR.

2. Data Source Map

Evidence need	Governed source	Date / period	Use and confidence
Exact listing and price	`quote_packet.json`, SHA-256 `362af06725319aaefd7b83fd49029c3a0fdaad8fc10dcbd35b7fe95faba5711a`	XNYS close 2026-08-24	Sole current-price and security-unit anchor; High
Statutory bridge	`statutory_bridge.json`, SHA-256 `f473d89ca10e244c636d5f0b7fc05b96d8f2b7d11a93f2353bff68eee7ba6776`	FY2025 and TTM 2026-06-30	Statutory income and denominator reconciliation; High
Historical financials and source map	`quant_foundation.md` and `data_package.md`, latter SHA-256 `efa00861faf67d1cb435ca84af307c9c593fa481f7b9bf6347f6d8ff1afc56ba`	FY2015-FY2025 and latest TTM where available	Revenue, margins, cash flow, balance sheet, SBC, capital allocation and concentration; High
Segment economics	`appendix_B_consolidated_company.md`, SHA-256 `6aa3d091a9b1fd308cacf19971beb23473179c085cd319156159574674ed6736`	TTM to 2031-06-30	Reviewed consolidated single-segment operating forecast; High
Management	`appendix_management.md`	Evidence through 2026-08-15	Management gate, incentives, insider ownership and allocation record; High
Moat	`appendix_moat.md`	Evidence through 2026-08-15	EOS, CloudVision, qualification, concentration and 2046 durability; Medium-High
Combined model	`appendix_synthesis.md`, SHA-256 `7adb181310b278f8999672b36a4284ed8fbd49d7afcd82d747f8d3882ba00d3e`	TTM 2026-06-30 to 2031-06-30	All scenario earnings and diluted-share paths; High

Evidence need	Governed source	Date / period	Use and confidence
Valuation foundations	`valuation_preflight.json`, SHA-256 `749ac0d4ab352bc9eb52bca766e8e198bcf2b4815929bc735845b86fb275c62c`	Validated 2026-08-25	Method, denominator, claims and exit multiples locked before returns; High
Starting USD/SGD	Federal Reserve H.10 observation record `raw/cs_refresh_20260825/fed_h10_usd_sgd_observation.json`, SHA-256 `3a245d2a94e74339f665595a363a09c07066eefdf8f6a0d805795adc12485476`	2026-08-21, 1.2692 SGD/USD; publication updated 2026-08-24	Freshest stable official starting-FX observation retrieved in this run; High
Pulse portfolio state	`pulse_summary_evidence.json`, SHA-256 `5706c9ab6eca60db8ce324c7a2239718d6f26153d82025e869d1e2ac1a1940d2` and current CIO memo SHA-256 `53f1d87cb45254851814abe3ebff0f69021172ba7dab539c1cef2b9cf177a0f1`	Frozen close 2026-08-24	NAV, sleeves, scenarios, look-through and allocation mandate; High
Pulse covariance	`allocator_weekly_covariance.json`, SHA-256 `ed5d5a8e5893daf0e547317c567513fc1ba2a3e323612b9264eabb461dbf7d3b`	Generated 2026-08-25; data through 2026-08-24	Volatility, correlation and standardized marginal-risk diagnostic; High

No new FMP dataset was fetched by this scoring refresh. The current governed statements and the fresh VP replay already contained the required historical and valuation evidence, so no duplicate warehouse write was needed.

3. Key Financial and Quality Metrics

Arista's verified TTM revenue is USD 10.5408 billion, statutory operating income is USD 4.5469 billion, net income is USD 4.0446 billion, operating cash flow is USD 5.3066 billion, capex is USD 0.1513 billion and free cash flow is USD 5.1553 billion. Corrected day-weighted TTM diluted shares are 1,275.558356 million and statutory diluted EPS is USD 3.1708467. The USD 188.15 quote therefore implies a current statutory and normalized P/E of 59.3375x. A simple current market-cap diagnostic using the packet's 1,274.9 million H1 diluted continuity anchor is approximately USD 239.872 billion; subtracting USD 13.343 billion of Q2 cash and securities with zero debt gives an approximate USD 226.529 billion enterprise-value diagnostic. These market-cap and EV figures are context only because P/E, not EV/NOPAT, is the locked shareholder-return method.

Metric	1-year / latest	3-year	5-year	10-year	Interpretation
Revenue CAGR	28.60%	27.15%	31.19%	26.81%	Exceptional growth across horizons; recent AI acceleration should not be annualized blindly
NOPAT CAGR	23.87%	34.63%	39.60%	38.37%	Operating leverage amplified growth; terminal margins are scenario-tested
FCF CAGR	15.67%	111.70%	42.66%	37.15%	Three-year figure is base-sensitive; broader record remains strong
Adjusted ROIC	Current record above 30%	—	36.10% median	—	Cash/securities retained in invested capital, making the measure conservative
ROIIC proxy	—	27.10%	31.39%	—	Credible high incremental returns, but acquisition-inclusive results are modestly lower
Acquisition-inclusive ROIIC proxy	—	25.98%	29.71%	—	VeloCloud is included where material; still comfortably above cost of capital
FCF / NOPAT	121% FCF/net income latest cross-check	—	105.47% average	—	Cash conversion is real, not only accrual earnings
Diluted-share CAGR	-0.42%	0.26%	0.07%	1.11%	Buybacks largely offset employee issuance rather than compounding value through shrinkage
SBC / revenue	4.88% latest FY	—	—	—	Economic cost is retained; trend is manageable but not negligible
SBC / FCF	10.33% latest FY	—	—	—	Caps accounting and capital-allocation scores

Metric	1-year / latest	3-year	5-year	10-year	Interpretation
Gross / operating margin	63.0% / 43.1% TTM	—	—	—	Strong economics, but AI mix and buyer concentration make current margin a demanding anchor
Net debt / EBITDA	Net cash; not meaningful	—	—	—	No debt; balance-sheet wipeout risk is remote
FCF yield	2.09% prior scored anchor	—	—	—	Low yield confirms that current price capitalizes substantial future execution

The normalized ROIC calculation deliberately does not flatter Arista by subtracting all marketable securities from invested capital. The ROIIC proxies also include reinvestment rather than treating an asset-light accounting base as proof of costless growth. Cash conversion is corroborative: CFO and FCF both exceed statutory net income on the latest measured basis. The limits are equally important. There is no standardized unit, ASP, utilization, book-to-bill or CloudVision retention series; Product and Service margins are not separately reported; employee awards require explicit share-path assumptions; and customer concentration makes smooth historical averages less protective than they appear.

4. Rubric Scorecard

Category	Score	Maximum	Evidence-based conclusion
Incremental Returns on Capital	23	25	High normalized ROIC, credible ROIIC and real cash conversion; capped for cyclicality and measurement limits
Reinvestment Runway	18	20	AI Ethernet, 1.6T, campus, routing and services are large opportunities; maturity and concentration constrain certainty
Durability of Moat	11	15	EOS, qualification and operational embedding are real; merchant silicon, NVIDIA, SONiC and buyer power limit 2046 confidence
Accounting and Financial Quality	8	10	Clean statutory bridge, strong cash conversion and zero debt; SBC and disclosure omissions prevent full marks
Capital Allocation Discipline	7	10	Organic reinvestment and bounded M&A are strong; expensive anti-dilution buybacks and incentive design are weaker
Price and 20% Return Underwriting	2	20	Base and probability-weighted returns are near zero; Bear loses substantial wealth and no cash distribution helps
Business Quality Score	**67**	**80**	**Strong dream-business evidence, but not an unconditional 20-year compounder**
Compounder Score	**69**	**100**	**Below the 70-point floor and fails return hard vetoes**

Subscore replay is unchanged by the quote refresh because the underlying operating evidence is unchanged. Category 1 scores are 1A 5/5, 1B 6/8, 1C 3/3, 1D 3/3, 1E 3/3 and 1F 3/3. Category 2 is 5/5, 5/5, 4/4, 3/3, 1/2 and 0/1. Category 3 is 4/4, 2/3, 2/3, 1/2, 2/2 and 0/1. Category 4 is 2/2, 2/2, 1/2, 2/2, 0/1 and 1/1. Category 5 is 2/2, 2/2, 0/2, 1/2, 1/1 and 1/1. Category 6 is 0/6, 2/4, 0/3, 0/3, 0/2 and 0/2. The 2/4 on exit valuation acknowledges that the VP-locked scenario multiples are independently supported and contract relative to the comparable normalized current P/E, but they do not make the 20% hurdle attainable.

5. ROIIC and Reinvestment Analysis

The evidence supports high returns on incremental capital. Five-year median adjusted ROIC of 36.1%, three-year ROIIC proxy of 27.1%, five-year ROIIC proxy of 31.4% and acquisition-inclusive five-year ROIIC of 29.7% all exceed a plausible cost of capital. The economics come from software reused across hardware generations, outsourced manufacturing, low capex, accumulated qualification knowledge and a common operational layer. FY2021-FY2025 revenue compounded near 32% while operating margin expanded from 31.4% to 42.8%, even as absolute R&D more than doubled. This is a genuine operating-leverage record.

The score does not award the full 8/8 ROIIC tier because the best proxy remains below 35%, annual reinvestment is imperfectly observable and AI-driven working-capital commitments distort simple period comparisons. Purchase commitments of USD 9.7 billion are both evidence of demand preparation and a downside claim if customer deployments slip. The model appropriately retains SBC as expense, preserves award dilution, and does not infer missing option counts from stock-compensation dollars. It also treats the USD 300 million VeloCloud acquisition as capital allocation rather than free organic growth.

The five-year average reinvestment-rate proxy of 83.67% supports a large runway, but a high rate alone is not value creation. The Bear case shows the risk: product growth decelerates to 3% by the terminal year, Service to 7%, consolidated operating margin falls to 36.5%, diluted shares rise to 1,305.376 million and EPS reaches only USD 3.5196. In that state, the company remains profitable and debt-free, yet shareholders lose wealth because today's 59.3x earnings price normalizes to a 24x exit.

6. Runway Analysis

The runway is broad and credible enough for 18/20. AI Ethernet scale-out, 1.6T speed transitions, prospective scale-up fabrics, campus, branch/WAN, routing, CloudVision and support all reuse the EOS platform. More than 150 million shipped ports, approximately 3,000 CloudVision customers, over 10,000 total customers and more than 100 Etherlink customers establish deployment breadth. The consolidated model does not treat those adoption statistics as recurring revenue, and it forecasts Product and Service separately before reconciling to statutory operating income.

The Base case compounds revenue at 15.12% for five years to USD 21.308 billion and EPS at 13.08% to USD 5.8625. The Bull case requires much more: 20.49% revenue CAGR, 46.5% operating margin and USD 8.2428 EPS. The terminal-year Base growth rates of 9% Product and 10% Service and the 34x exit are independently underwritten, but the current price still produces only a 1.16% gross USD IRR. That is the core valuation lesson: a large runway can coexist with an unattractive investment when the entry multiple already capitalizes much of the opportunity.

Two concentration facts limit a perfect runway score. Two customers represented 42% of FY2025 revenue, and sophisticated hyperscalers can dual-source, deploy SONiC, use white-box hardware or favor an accelerator-vendor stack. Additional large customers can increase reported concentration before diversifying it. Growth also requires continuing technical relevance across architectures, not merely total Ethernet market growth.

7. Moat Analysis

The moat earns 11/15 and remains YELLOW in the governed moat appendix. EOS consistency, CloudVision/NetDL observability, qualification history, support, field knowledge and accountable systems integration create real switching and operating costs. The long gross-margin record and the survival of multiple speed transitions demonstrate that competitors were not simply absent. A customer running scarce compute values network uptime, congestion control and predictable software behavior; those are not easily reproduced by a feature checklist.

The 2046 test is conditional. Merchant silicon is non-exclusive. Broadcom enables the same underlying capabilities across vendors; SONiC separates the operating system from branded hardware for sophisticated buyers; NVIDIA can bundle compute, scale-up and scale-out networking; Cisco and HPE/Juniper can compete through broader enterprise portfolios. Pricing power is visible in margins but not cleanly disclosed through ASP, contract escalators, ARR, NRR or churn. A specific durable 2046 company is plausible, but the evidence does not yet prove that Arista owns the control plane across future AI architecture shifts. The moat therefore supports present quality, not a valuation exemption.

8. Accounting and Capital Allocation Analysis

Accounting quality is strong. The FY2025 and TTM statutory bridges have zero residuals, the corrected standalone Q4 2025 diluted share figure is incorporated, and the TTM EPS denominator is day-weighted rather than built by summing quarterly EPS. Other income, tax, acquisition perimeter, inventory write-downs and SBC are explicitly treated. There is no disposal gain, fair-value mark, restructuring plug or perimeter shift being removed to manufacture normalized earnings.

Capital allocation is mixed but above average. Organic R&D and platform extension have created clear value; the balance sheet carries no debt; VeloCloud was bounded at USD 300 million; and management's acquisition record is restrained. Repurchases deserve less credit. USD 3.22 billion of five-year buybacks mostly prevented dilution, and FY2025 repurchases occurred at a richer valuation. Compensation uses revenue and non-GAAP operating income but omits ROIC, FCF and relative TSR, while the operating metric excludes SBC. Founder and CEO ownership is meaningful and there is no dual-class structure, yet succession, planned insider selling and 62% 2025 say-on-pay support remain monitoring items. The management gate is PASS, but not an excuse to ignore price.

9. 20% Return Underwriting

Valuation-preflight gate and method lock

`valuation_preflight.json` was independently recomputed at SHA-256 `749ac0d4ab352bc9eb52bca766e8e198bcf2b4815929bc735845b86fb275c62c` and passed `validate_valuation_preflight.py --check-evidence-files` with `VALUATION_PREFLIGHT_VALID`, status `CLEARED`, all five foundations true, no blockers, and the exact token `VALUATION PREFLIGHT CLEARED - 5/5 FOUNDATIONS LOCKED`. Its source bindings match the quote, statutory bridge, data package and synthesis hashes listed above.

Primary valuation method: P/E. The method is locked across Bear, Base, Bull, probability weighting, reverse-return/max-buy-price and net-SGD. Current statutory EPS and terminal statutory EPS share the same common-share perimeter. Current reported and normalized P/E are both 59.33746339739478x because no material exceptional gain is excluded. VP locked the exit multiples at 24x / 34x / 44x before any return calculation. Under P/E, terminal equity value per share is terminal EPS times exit P/E. Cash, debt and leases already affect statutory EPS and the equity multiple, so no separate net-cash adjustment is added. Terminal cash is disclosed at USD 15 / 22 / 30 billion, debt is zero, FY2025 operating-lease obligations were USD 0.091 billion, and leases remain embedded in statutory EPS. Cumulative distributions are source-bound zero. The double-count check passes.

Scenario	Probability	Terminal EPS	Exit P/E	Terminal diluted shares	Terminal equity value	Equity value / share	Distributions / share	Gross USD IRR
Bear	30%	USD 3.5195665	24x	1,305.375991m	USD 110,264.582588m	USD 84.4695960	USD 0	-14.80%
Base	50%	USD 5.8624887	34x	1,288.105570m	USD 256,751.147850m	USD 199.3246158	USD 0	1.16%
Bull	20%	USD 8.2427657	44x	1,281.705445m	USD 464,851.097900m	USD 362.6816908	USD 0	14.03%

Probability-weighted terminal shareholder wealth is `0.30 x 84.4695960 + 0.50 x 199.3246158 + 0.20 x 362.6816908 = USD 197.53952486` per share. The probability-weighted gross USD IRR is `(197.53952486 / 188.15)^(1/5) - 1 = 0.9787421189%`. It is not the arithmetic average of scenario IRRs.

Bear-case operating and return bridge

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 10,540.8m	USD 15,529.3243m	8.06%	Near-term obligations convert, then hyperscaler pauses, competition and slower 1.6T/scale-up adoption force deceleration
Operating margin	43.14%	36.50%	-6.64 pp	Customer pricing, commitments, inventory risk, platform R&D and weaker fixed-cost absorption
Operating earnings	USD 4,546.9m	USD 5,668.2034m	4.51%	Statutory Income from operations equals modeled revenue times margin
Diluted share count	1,275.558356m	1,305.375991m	0.46%	Employee issuance and 18.5m terminal award dilution outweigh modest repurchases
EPS	USD 3.1708467	USD 3.5195665	2.11%	Statutory diluted EPS after scenario other income and 22.5% tax
Valuation denominator	TTM statutory diluted EPS 3.1708467	Terminal statutory diluted EPS 3.5195665	Comparable	Same common-share and statutory-earnings perimeter; no exceptional-gain exclusion
Valuation	59.3375x P/E	24.0x P/E	-35.3375x	Below the seven-year median and lower observation for 3%/7% terminal growth, concentration and margin compression
Share value	USD 188.15 price	USD 84.469596	-14.80% shareholder IRR	USD 3.5195665 EPS times 24x; no net-cash add under P/E

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Annual dividend	USD 0	USD 0	0%	No dividend is modeled or sourced
Dividend yield	0%	0%	0 pp	Zero annual dividend at both endpoints
Five-year dividends	-	USD 0	cumulative	Source-bound zero distributions
Total ending value	USD 188.15	USD 84.469596	-14.80% gross USD IRR	Terminal share value plus zero distributions

Base-case operating and return bridge

Base case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 10,540.8m	USD 21,307.8288m	15.12%	AI Ethernet, campus, routing, 1.6T and service grow while terminal rates decelerate to 9%-10%
Operating margin	43.14%	42.80%	-0.34 pp	Scale offsets mix and reinvestment, but current peak-like margin does not expand
Operating earnings	USD 4,546.9m	USD 9,119.7507m	14.94%	Statutory Income from operations equals modeled revenue times margin
Diluted share count	1,275.558356m	1,288.105570m	0.20%	USD 1.0bn annual buybacks partially offset employee issuance and 13.5m terminal award dilution
EPS	USD 3.1708467	USD 5.8624887	13.08%	Statutory diluted EPS after 21.5% tax and independently rebuilt cash yield
Valuation denominator	TTM statutory diluted EPS 3.1708467	Terminal statutory diluted EPS 5.8624887	Comparable	Same statutory/common-share perimeter and positive denominators
Valuation	59.3375x P/E	34.0x P/E	-25.3375x	Slight discount to the VP replay's 34.9056x seven-year median for maturity and concentration
Share value	USD 188.15 price	USD 199.3246158	1.16% shareholder IRR	USD 5.8624887 EPS times 34x; no separate terminal cash value
Annual dividend	USD 0	USD 0	0%	No dividend is modeled or sourced
Dividend yield	0%	0%	0 pp	Zero annual dividend at both endpoints
Five-year dividends	-	USD 0	cumulative	Source-bound zero distributions
Total ending value	USD 188.15	USD 199.3246158	1.16% gross USD IRR	Terminal share value plus zero distributions

Bull-case operating and return bridge

Bull case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 10,540.8m	USD 26,772.1583m	20.49%	AI, 1.6T, scale-up and campus all execute while EOS protects platform value
Operating margin	43.14%	46.50%	+3.36 pp	Clean supply conversion, pricing, high incremental revenue and R&D leverage
Operating earnings	USD 4,546.9m	USD 12,449.0536m	22.32%	Statutory Income from operations equals modeled revenue times margin

Bull case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Diluted share count	1,275.558356m	1,281.705445m	0.10%	USD 1.5bn annual buybacks almost offset issuance and 12.5m terminal award dilution
EPS	USD 3.1708467	USD 8.2427657	21.05%	Statutory diluted EPS after 20.5% tax and the bull cash-yield path
Valuation denominator	TTM statutory diluted EPS 3.1708467	Terminal statutory diluted EPS 8.2427657	Comparable	Same statutory/common-share perimeter and positive denominators
Valuation	59.3375x P/E	44.0x P/E	-15.3375x	Below replayed high-40s observations despite superior growth, reflecting maturity and concentration
Share value	USD 188.15 price	USD 362.6816908	14.03% shareholder IRR	USD 8.2427657 EPS times 44x; no separate terminal cash value
Annual dividend	USD 0	USD 0	0%	No dividend is modeled or sourced
Dividend yield	0%	0%	0 pp	Zero annual dividend at both endpoints
Five-year dividends	-	USD 0	cumulative	Source-bound zero distributions
Total ending value	USD 188.15	USD 362.6816908	14.03% gross USD IRR	Terminal share value plus zero distributions

Reverse 20% return test

At USD 188.15, a 20% annualized return requires terminal shareholder wealth of USD 468.177408 per share. At the locked 34x Base exit P/E and zero distributions, required terminal EPS is USD 13.7699238, implying 34.14% annual EPS growth from current statutory EPS. The model's Base terminal EPS is only USD 5.8624887. Alternatively, applying 79.8598x to modeled Base EPS would be required to reach 20%, above both the current comparable 59.3375x and the VP-supported Base exit. The Base-case maximum buy price for a 20% IRR is USD 80.1041; the probability-weighted maximum is USD 79.3867. These are reverse-return diagnostics, not price targets or trade instructions.

Net-SGD diagnostic and Pulse portfolio fit

Starting FX is the Federal Reserve H.10 2026-08-21 observation of 1.2692 SGD per USD. Terminal FX assumptions are 1.20 / 1.29 / 1.38 SGD per USD for Bear / Base / Bull. Entry and exit costs are each 15 basis points. Capital-gains tax is not applied because investor residence, beneficial-owner status and account wrapper are unverified. Dividend withholding is conservatively set at 30%, but has zero effect because cumulative distributions are zero. The same P/E terminal USD wealth controls every scenario.

Scenario	Start SGD cost / share	Terminal FX	Terminal net-SGD wealth	Net-SGD annualized IRR
Bear	SGD 239.158180	1.20	SGD 101.211470	**-15.80%**
Base	SGD 239.158180	1.29	SGD 256.743061	**1.43%**
Bull	SGD 239.158180	1.38	SGD 499.749982	**15.88%**
Probability-weighted	SGD 239.158180	Scenario-weighted	SGD 258.684968	**1.58%**

The probability-weighted result is `(0.30 x 101.2114699272 + 0.50 x 256.74306125042705 + 0.20 x 499.74998220404404) / 239.15817997`, annualized for five years. It is not an average of scenario IRRs.

The frozen portfolio NAV is SGD 2,892,455.53, with Pulse / Strategic / Hedge sleeves at 28.8% / 40.3% / 30.9%. Whole-portfolio Base and Bear annualized scenarios are 12.4% and -14.6%, annualized volatility is 12.3253%, and effective independent risk positions are 6.7575. Technology exposure is 23.8% versus 31.2% in VT, AI hardware/semiconductors 4.6% versus 14.9%, and software/services 15.1% versus 7.9%. ANET has zero direct current-name overlap. A hardware/networking classification would therefore superficially improve sector balance. Economically, ANET is tied to AI infrastructure, hyperscaler spending, merchant silicon and technology factor conditions already present through indirect MSFT, Samsung and broader AI-chain exposure. It is diversification by label more than by profit driver.

The covariance artifact quantifies the risk. ANET volatility is 48.356028%, correlation to the current portfolio is 0.327132, and its largest listed absolute correlation in the option summary is VUG at 0.486566. The standardized 3%-funded pro-rata diagnostic adds 0.179181 percentage points to current portfolio volatility, implying approximately 12.504463%. This is not a recommended position size. Because ANET's Base net-SGD return is 1.43% and probability-weighted net-SGD return is 1.58%, it would dilute rather than improve the portfolio's 12.4% Base underwriting while adding high standalone volatility. Bear net-SGD at -15.80% is also worse than the portfolio's -14.6% weighted Bear scenario. Portfolio fit is therefore **FAIL**, notwithstanding apparent sector diversification.

CIO actionability: PASS. The current return asymmetry does not earn a Pulse allocation. No allocation, ranking or size is recommended. `sizing_ceiling_pct=null`; owner approval is mandatory for any future proposal; `trade_execution_authorized=false`.

10. Hard Veto Checklist

ID	Status	Finding
1	PASS	Three- and five-year ROIIC proxies remain above cost of capital
2	PASS	ROIC conservatively retains marketable securities and is not solely a tiny-capital artifact
3	PASS	Growth is internally financed; Q2 2026 cash/securities were USD 13.343bn and debt was zero
4	WATCH	Buybacks largely offset employee issuance; ten-year diluted shares rose about 1.11% annually
5	PASS	M&A is bounded; VeloCloud cost USD 300m and no acquisition roll-up is required
6	PASS	Five-year FCF/NOPAT conversion averages about 105%
7	WATCH	Two customers were 42% of FY2025 revenue; NVIDIA, SONiC, white box and in-sourcing can impair value
8	FAIL	A 20% Base return on modeled EPS requires about 79.86x terminal P/E, above current and supported exit evidence
9	FAIL	At USD 188.15, locked Base gross IRR is only 1.16% and Base net-SGD IRR is only 1.43%
10	PASS	EOS, CloudVision, qualification and support explain the present moat in one paragraph
11	PASS	No current accounting, governance, auditor, related-party or restatement issue impairs trust
12	PASS	Zero debt and substantial liquidity make balance-sheet wipeout risk remote

11. Final Decision

The score-implied classification is **Reject**, not because Arista is a poor business, but because the current price requires a result far beyond the evidence-weighted outcome. The 69/100 score is below the rubric's 70-point floor; valuation is only 2/20; two hard vetoes fail; Base and probability-weighted returns are near zero; and the only scenario that approaches the owner's upper return objective requires Bull execution. The business remains worthy of monitoring at a materially lower price or after a much stronger per-share earnings path is proven, but it does not earn capital now.

Compounder Score note: **69/100 — strong historical economics are outweighed by a failed 20% stretch case and valuation hard vetoes.**

Business Quality Score note: **67/80 — high ROIC, multi-horizon growth, real cash conversion and disciplined M&A; capped for concentration, disruption, SBC and buyback efficiency.**

20% Return UW Score note: **2/20 — locked Base gross USD IRR is 1.16%, Bear is -14.80%, and a 20% Base return requires USD 13.7699 terminal EPS at 34x.**

The principal upgrade conditions are observable rather than narrative: a current price nearer the USD 79-80 probability-weighted/base 20% diagnostic, a source-bound terminal EPS path materially above USD 5.8625 without stronger

multiple assumptions, reduced top-two concentration through growth rather than customer loss, and proof that Scale-Up/1.6T plus CloudVision deepen durable economics. The main downgrade triggers are sustained GAAP gross margin below roughly 58%-60%, material hyperscaler displacement by NVIDIA/SONiC/white-box stacks, or rising dilution without per-share value creation. These are research conditions only.

12. Machine-Readable JSON

The complete full-precision calculation, source hashes, score subscores, hard-veto results, security-return bridges, net-SGD assumptions, Pulse overlap and covariance diagnostics, and authority boundaries are in `compounder_score.json`. All visible net-SGD IRRs above are rendered to exactly two decimal places. The structured artifact retains full precision and sets trade, owner-action and portfolio-mutation authority to false.

Arista Networks (ANET) — Scoring Audit

Analysis date: 2026-08-25. Security: XNYS:ANET common stock. Frozen price: USD 188.15 from the completed 2026-08-24 session. TTM end: 2026-06-30. Horizon: 2031-06-30, exactly 5.0 years. This audit is a diagnostic research artifact. It authorizes no trade, ranking, size, order, message, or portfolio mutation.

1. Original vs Audited Scores

The sealed valuation preflight independently passed `validate_valuation_preflight.py --check-evidence-files`. Its recomputed SHA-256 is `749ac0d4ab352bc9eb52bca766e8e198bcf2b4815929bc735845b86fb275c62c`, exactly matching the CS binding. The CS JSON SHA-256 is `ab75dc9845ce046f36461548e944223fbdd5bd5c06ebefc5f12e1f5d2a5ee598`; the CS Markdown SHA-256 is `a0e6da933922a7ee349e11f6134668363934087d14a4afb8f7d715fd3df50453`. Their method, price, scenarios, returns and original 69/100, 67/80 and 2/20 scores agree.

Item	Original	Audited	Notes
Business Quality Score / 80	67/80	64/80	Strong economics, reduced for incomplete unit economics and management-led runway evidence
Valuation / 20% Return UW Score / 20	2/20	0/20	A 20% Base return requires major P/E expansion, so 6B cannot retain points
Total Score / 100	69/100	64/100	Exact sum of audited quality and valuation components
Classification	Reject	Reject	Below 70, failed valuation vetoes and no plausible 20% case at the frozen price

The audited result is not a rejection of Arista's historical operating quality. It is a strict finding that the available evidence does not earn dream-business status under the full rubric and that today's price does not earn dream-investment status. The score-implied classification remains **Reject**. The separate CIO decision remains **PASS / no allocation**.

2. Score Reductions and Reasons

Category 1 falls from 23/25 to 22/25. The source-bound operating record supports 5/5 for normalized ROIC and 6/8 for ROIIC. FY2021-FY2025 adjusted ROIC replays to approximately 28.25%, 34.04%, 40.79%, 41.11% and 36.13%, with a 36.13% median under the conservative treatment that leaves marketable securities in invested capital. Excluding goodwill and acquired intangibles changes the median only modestly, so the return is not an accounting artifact. Three-year and five-year ROIIC proxies replay to 27.0994% and 31.3857%; acquisition-inclusive values are 25.9828% and 29.7147%. Five-year FCF/NOPAT conversion independently averages 105.4733%. However, 1D falls from 3/3 to 2/3 because the issuer does not disclose standardized units, ASPs, utilization, book-to-bill, comparable design-win cohorts, or Product and Service margins. Aggregate gross-margin and growth persistence are evidence, but not a complete unit-economics proof.

Category 2 falls from 18/20 to 16/20. Historical growth, platform reuse, R&D scale and the Product/Service model preserve 2B through 2F at their original levels. The evidence does not earn 5/5 for 2A. The remaining AI-networking, campus, 1.6T, Scale-Up and CloudVision opportunity is described mainly through management targets and adoption markers. No independent dollar TAM, unit/ASP series, ARR, NRR, churn, backlog or cohort economics exists. Under the audit rule capping a mainly management-claim qualitative subscore at 60%, 2A is reduced to 3/5.

Category 3 remains 11/15. EOS consistency, qualification history, systems engineering, support and margin resilience are genuine evidence. The same package documents why the score is not higher: two customers supplied 42% of FY2025 revenue, merchant silicon is non-exclusive, SONiC and white-box systems remain substitutes, NVIDIA can integrate more of the AI stack, and the governed 2046 moat verdict is YELLOW. Category 4 remains 8/10 because the statutory bridge, multi-year cash conversion, explicit SBC expense, dilution treatment and debt-free balance sheet are strong, while product-level disclosure and SBC burden are real gaps. Category 5 remains 7/10 because organic R&D and bounded M&A are credible, acquisition-inclusive ROIIC is calculated, but buybacks mainly offset employee issuance and incentive design lacks ROIC, FCF and relative-TSR discipline.

Category 6 falls from 2/20 to 0/20. The VP-locked 24x/34x/44x exit multiples are independently justified and remain unchanged. The scoring error is different: at the modeled Base terminal EPS of USD 5.8624887, a 20% annualized return

from USD 188.15 requires a 79.8598397x terminal P/E. That is major expansion above both the 59.3374634x comparable current P/E and the locked 34x Base exit. Rubric 6B therefore scores zero. The audit does not alter a VP-controlled multiple merely to make the score look conservative.

3. Unsupported Claims

The following table audits every rubric subscore. “Partly supported” preserves only the portion earned by evidence; “unsupported” or “calculation failure” receives zero where the rubric requires it.

Subscore	Evidence status	Original	Audited	Audit conclusion
1A High normalized ROIC	Supported	5/5	5/5	Five-year median above 30% on a conservative capital base
1B High ROIIC	Supported	6/8	6/8	Three-/five-year and acquisition-inclusive proxies are calculated, not asserted
1C ROIIC trend	Supported	3/3	3/3	Multi-horizon proxies remain well above cost of capital without sharp collapse
1D Unit economics	Partly supported	3/3	2/3	Margin and growth evidence exist; units, ASPs and product margins do not
1E Cash conversion	Supported	3/3	3/3	Five-year FCF/NOPAT averages 105.4733%
1F Accounting artifact control	Supported	3/3	3/3	Cash treatment is conservative and goodwill exclusion does not drive ROIC
2A Remaining opportunity	Partly supported	5/5	3/5	Management targets dominate; 60% qualitative cap applies
2B Reinvestment at scale	Supported	5/5	5/5	Revenue and R&D scaled while acquisition-inclusive returns stayed high
2C Organic growth	Supported	4/4	4/4	Long history and segment forecast support organic opportunity
2D Repeatable playbook	Supported	3/3	3/3	EOS/platform reuse spans data center, AI, campus, routing and service
2E Market structure	Partly supported	1/2	1/2	Ethernet runway exists, offset by powerful buyers and open substitutes
2F No ROIC collapse	Insufficient assurance	0/1	0/1	Purchase commitments and architecture risk make preservation uncertain
3A Source of advantage	Supported	4/4	4/4	EOS, qualification, telemetry and support form a coherent moat
3B Pricing power	Partly supported	2/3	2/3	Outcome evidence is good; explicit ASP and contractual evidence is weak
3C Competitive evidence	Partly supported	2/3	2/3	Long margin record is positive; vendor-share evidence is incomplete
3D Customer stickiness	Partly supported	1/2	1/2	Qualification and workflows help, but churn/retention are not disclosed
3E Stress resilience	Supported	2/2	2/2	Margin and cash generation survived prior supply and demand stress
3F Low disruption risk	Unsupported	0/1	0/1	NVIDIA, SONiC, white box and in-sourcing remain material
4A Earnings quality	Supported	2/2	2/2	Statutory bridge and normalization controls clear
4B Cash support	Supported	2/2	2/2	Multi-year conversion clears the audit rule

Subscore	Evidence status	Original	Audited	Audit conclusion
4C SBC and dilution	Partly supported	1/2	1/2	SBC is expensed and shares modeled, but burden is material
4D Balance sheet	Supported	2/2	2/2	No debt and substantial liquidity
4E Disclosure	Missing data	0/1	0/1	Unit, product-margin and recurring-software metrics are absent
4F Governance/accounting flags	Supported	1/1	1/1	No present restatement, auditor or related-party blocker
5A Rational reinvestment	Supported	2/2	2/2	Organic platform R&D is the priority
5B Acquisition discipline	Supported with limits	2/2	2/2	VeloCloud is bounded and acquisition-inclusive ROIIC is still strong
5C Buyback discipline	Unsupported	0/2	0/2	Buybacks mainly offset dilution and occurred at rich valuations
5D Incentive alignment	Partly supported	1/2	1/2	Founder stake helps; incentive metrics omit key return measures
5E Owner mentality	Supported	1/1	1/1	Founder leadership and bounded M&A support partial owner evidence
5F Past decisions	Supported	1/1	1/1	Long organic record and restrained deal history are observable
6A Base IRR at least 20%	Calculation failure	0/6	0/6	Base gross IRR is 1.1606%
6B Conservative 20% exit	Calculation error	2/4	0/4	The 20% case requires major expansion to 79.8598x
6C Bear acceptable	Calculation failure	0/3	0/3	Bear gross IRR is -14.8001%
6D Reverse hurdle beatable	Calculation failure	0/3	0/3	Required EPS CAGR is 34.1378%, far above Base 13.08%
6E Price does not imply perfection	Unsupported	0/2	0/2	Current 59.3375x P/E capitalizes demanding execution
6F Cash returns help	Unsupported	0/2	0/2	Cumulative distributions are source-bound zero

4. Calculation Errors

Return, method and probability replay

Primary valuation method is **P/E** in Bear, Base, Bull, probability weighting, reverse-return/max-buy-price and net-SGD. Terminal statutory diluted EPS of 3.5195665, 5.8624887 and 8.2427657 multiplied by the locked 24x, 34x and 44x exit P/Es produces terminal equity value per share of USD 84.4695960, USD 199.3246158 and USD 362.6816908. With diluted shares of 1,305.375991m, 1,288.105570m and 1,281.705445m, terminal equity values are USD 110,264.582588m, USD 256,751.147850m and USD 464,851.097900m. Distributions are zero.

The independently reproduced gross USD IRRs are **-14.800069818142026% / 1.1605874332442534% / 14.026102960952723%**. Probability-weighted terminal wealth is `30% × 84.4695960 + 50% × 199.3246158 + 20% × 362.6816908 = USD 197.53952486`. Its five-year CAGR from USD 188.15 is **0.9787421189435985%**. The probability-weighted arithmetic average of scenario IRRs would be **-1.0545066366299358%**, proving CS used the required terminal-wealth CAGR rather than the prohibited arithmetic average.

The denominator bridge clears. Current P/E is `188.15 / 3.1708467 = 59.33746339739478x`; reported and normalized current statutory diluted EPS are the same because no material exceptional gain is excluded. The terminal denominators use the same listed common-share and statutory-earnings perimeter. The seven-year direct P/E replay spans 18.0479x to 52.4041x with a 34.9056x median. The 24x/34x/44x exits were selected before return calculation, were not reverse-engineered from a score or verdict, and survive both directional challenges. Bull at 44x remains below recent high-40s observations despite superior growth; Bear at 24x preserves positive going-concern value for a debt-free company

rather than disguising bankruptcy.

The P/E double-count controls pass. Terminal cash of USD 15bn / USD 22bn / USD 30bn is disclosed but not added again. Debt, preferred equity and NCI are zero. FY2025 operating-lease obligations of USD 0.091bn remain embedded in statutory EPS; no second lease or net-cash adjustment is applied. Repurchases affect the diluted share path once. Cumulative distributions are zero and counted once. No P/E-15 substitution, EV/NOPAT splice, omitted award class or separate fee/non-operating asset value is present.

Net-SGD and portfolio replay

Starting FX is the official Federal Reserve H.10 observation of 1.2692 SGD/USD on 2026-08-21. Entry and exit costs are 15bp each. Terminal FX is 1.20 / 1.29 / 1.38. Capital-gains tax is not asserted without investor facts; 30% dividend withholding has zero effect because distributions are zero. Starting SGD cost is `188.15 × 1.2692 × 1.0015 = SGD 239.15817997`. Applying terminal FX and exit cost to the same terminal USD wealth produces net-SGD terminal wealth of SGD 101.2114699272, SGD 256.74306125042705 and SGD 499.74998220404404. The reproduced net-SGD IRRs are **-15.800619045529329% / 1.4291287654729423% / 15.881340259964682%**. Probability-weighted terminal net-SGD wealth is SGD 258.68496804418237 and its CAGR is **1.5821009184895374%**, not the -0.8493533% arithmetic probability-weighted average of scenario IRRs.

The Pulse source hashes match the CS bindings. Portfolio NAV is SGD 2,892,455.53, sleeve weights are 28.8% / 40.3% / 30.9%, whole-portfolio Base and Bear diagnostics are 12.4% and -14.6%, and ANET is not directly held. Current annualized volatility is 12.325282%, effective independent risk positions are 6.7575, ANET volatility is 48.356028%, portfolio correlation is 0.327132, and highest listed absolute correlation is VUG at 0.486566.

The standardized 3% test is arithmetically sound when its actual funding convention is used: cash stays unchanged and non-cash holdings are scaled by `0.969919295426741`, then ANET receives 3%. Replaying the full covariance matrix yields 12.50446348% portfolio volatility, a **+0.17918129 percentage-point** change. This is a diagnostic test, not a sizing recommendation. Technology exposure is 23.8% versus VT 31.2%, AI hardware/semiconductors 4.6% versus 14.9%, and software/services 15.1% versus 7.9%. Hardware-label diversification is therefore superficially positive, but the economic exposure overlaps AI infrastructure, hyperscaler capex and technology factors. Adding a 1.4291% Base net-SGD security to a portfolio underwritten at 12.4% Base return while increasing measured volatility does not improve fit. Portfolio fit **FAIL**, `sizing_ceiling_pct=null`, and no allocation is the correct conclusion.

The one scoring calculation error is original 6B. The independently justified exit multiples remain valid; the 20% stretch case nonetheless requires USD 468.177408 terminal wealth, USD 13.7699237647 terminal EPS at 34x, 34.1378243% EPS CAGR from USD 3.1708467, or 79.8598397x on modeled Base EPS. That is major expansion and earns zero.

5. Missing Data

The most important gaps are standardized units and ASPs; Product and Service margins; CloudVision ARR, retention and churn; comparable design-win or production cohorts; acquisition-level return disclosure; and a current issuer-specified option quantity and H1 employee-plan instrument allocation. Investor-specific tax residence, account wrapper, broker execution cost and realized FX are also unavailable, so net-SGD remains an explicitly assumption-bound diagnostic. These limitations reduce precision but do not make the finite security returns or CIO PASS conclusion unavailable.

Arista is not a property-and-casualty insurer or a balance-sheet-led business. `insurer_return_bridge.json` and P/B-ROE common-equity gates are not required; all insurer-specific fields are correctly null.

6. Hard-Veto and Threshold Test Audit

Hard vetoes 1, 2, 3, 5, 6, 10, 11 and 12 pass. Veto 4 is WATCH because buybacks largely offset employee issuance and ten-year diluted shares grew about 1.11% annually. Veto 7 is WATCH because customer concentration and architecture/platform dependency can impair value. Veto 8 fails because the 20% Base case requires 79.8598x terminal P/E. Veto 9 fails because today's price produces only 1.1606% Base gross and 1.4291% Base net-SGD IRR. Total-score, valuation-score, Base-return, Bear-return, no-hard-veto and no-expansion threshold tests fail. Business Quality falls just below the 65/80 dream-business threshold after evidence caps.

7. Final 20% Hurdle Pass/Fail

FAIL. No locked scenario reaches 20%. The Base and probability-weighted gross returns are 1.1606% and 0.9787%; Base and probability-weighted net-SGD returns are 1.4291% and 1.5821%. A lower entry price around the reverse-return diagnostics may improve future underwriting, but those diagnostics are not price targets or trade instructions.

8. Dream Business / Dream Investment Classification

Neither under the strict scoring rubric. Arista has strong historical compounder evidence, but audited Business Quality is 64/80 because unit economics and independent runway proof are incomplete and the moat remains conditional. It is not a dream investment because the audited 20% Return Underwriting/Stretch Score is 0/20. The single biggest reason is price: strong Base operating execution still compounds gross USD shareholder wealth at only 1.1606% annually from USD 188.15.

9. Stage 7 Scorecard Notes

Compounder Score note: **64/100 — strong historical economics do not overcome incomplete unit/runway evidence and a failed 20% return case.**

Business Quality Score note: **64/80 — high ROIC, ROIIC and cash conversion persist, but unit economics, independent runway evidence, concentration and platform risk cap the score.**

20% Return UW Score note: **0/20 — Base gross USD IRR is 1.16%; reaching 20% on modeled Base EPS requires about 79.86x terminal P/E.**

10. Auditor JSON

The full-precision machine-readable audit is in `compounder_score_audit.json`. It binds the exact CS, VP, synthesis, data, Pulse and covariance artifacts; preserves the audited P/E method and 24x/34x/44x exits; records all gross and net-SGD return replays; sets `trade_execution_authorized=false`; and records no unresolved issue.

SCORING AUDIT CLEARED — 64/100; RETURNS AND CIO PASS REPRODUCED

Arista Networks — Red-Team Challenge

Analysis date: 2026-08-25. Security: XNYS:ANET common stock. Frozen quote: USD 188.15 from the completed 2026-08-24 session. TTM end: 2026-06-30. Horizon: 2031-06-30, exactly 5.0 years. This appendix independently attacks the completed governed stack without changing its audited scores or return fields. The audited result remains **Compounder Score 64/100, Business Quality Score 64/80, 20% Return Underwriting/Stretch Score 0/20, Reject; CIO actionability PASS / no allocation**. Primary valuation method is **P/E** in every scenario and diagnostic. This research authorizes no trade, ranking, sizing, order, message, broker action, or portfolio mutation.

The exact reviewed bindings are `data_package.md` SHA-256 `efa00861faf67d1cb435ca84af307c9c593fa481f7b9bf6347f6d8ff1afc56ba`, `appendix_synthesis.md` `7adb181310b278f8999672b36a4284ed8fbd49d7afcd82d747f8d3882ba00d3e`, `valuation_preflight.json` `749ac0d4ab352bc9eb52bca766e8e198bcf2b4815929bc735845b86fb275c62c`, `compounder_score.json` `ab75dc9845ce046f36461548e944223fbdd5bd5c06ebefc5f12e1f5d2a5ee598`, and `compounder_score_audit.json` `6e6c3a1c254032f1bd0ba5cfe7393bbd7f92070a10e6f3b8a4bc3219777ef050`. The CSA artifact contains the exact clear token **SCORING AUDIT CLEARED — 64/100; RETURNS AND CIO PASS REPRODUCED**. No hash, method, denominator, or capital-structure mismatch was found.

1. The most fragile assumption

The most fragile operating assumption is the **Base Product revenue path** in the sole consolidated segment: 24%, 18%, 14%, 11%, then 9% annual growth. That path produces a 15.08% five-year Product CAGR, USD 18.010 billion of terminal Product revenue, and helps deliver USD 21.308 billion of consolidated revenue. Product is about 84.5% of terminal Base revenue, so Service cannot hide a material Product miss.

The launch point is supported: quarterly consolidated revenue growth accelerated from 27.5% in Q3 2025 to 37.7% in Q2 2026, and management raised FY2026 guidance to 40%. The fragility begins after this visible cycle. Two customers supplied 42% of FY2025 revenue; a fabric-generation pause or dual-source decision can move results more than hundreds of smaller wins. Arista is also attempting 1.6T production, Scale-Up entry, campus/branch expansion, and continued hyperscaler defense at the same time. These are overlapping execution bets, not independent sources of safety. NVIDIA can bundle compute and networking; Cisco and HPE/Juniper can bundle wider enterprise stacks; SONiC and white-box systems let sophisticated buyers separate network software from branded hardware; and Broadcom merchant silicon is non-exclusive.

The model's one-variable sensitivity is informative but mild: reducing consolidated CAGR by 200 basis points lowers Base EPS from USD 5.8625 to USD 5.3972. At the unchanged 34x exit, terminal wealth falls from USD 199.3246 to about USD 183.5048 and gross return becomes roughly -0.51% annually rather than +1.16%. The red team's severe-but-plausible Base sensitivity is more diagnostic: 12% five-year revenue CAGR, 39% terminal operating margin, USD 0.4 billion of other income, a 23% tax rate, and the Bear terminal diluted-share count of 1,305.376 million. It produces USD 18.576 billion revenue, USD 7.245 billion operating income, USD 4.5094 EPS, and USD 153.3211 terminal wealth at the same 34x P/E. Gross USD IRR is **-4.01%** and net-SGD IRR is **-3.76%** using the audited Base FX and costs. None of those assumptions requires an industry collapse.

2. Most-likely-to-be-optimistic Stage 5 number

The single Stage 5 number most likely to be revised down is the **42.8% terminal Base operating margin**. It appears restrained against the 43.14% TTM margin and equals FY2025's 42.8%, but that comparison embeds extraordinary growth and favorable fixed-cost absorption. Base asks scale and Service economics to offset AI hardware mix, high-volume customer discounts, component and optics costs, qualification expense, and continuing R&D across Scale-Up, 1.6T, campus, branch, routing, and EOS.

The evidence cannot decompose those offsets. Arista discloses neither Product/Service margins nor standardized units, ASPs, CloudVision ARR, retention, or churn. A 200-basis-point terminal margin reduction lowers Base EPS to USD 5.6028. Holding 34x fixed, terminal wealth falls to about USD 190.495 and gross IRR becomes about +0.25%, roughly 0.91 percentage point below the audited Base. Margin is therefore the most likely operating disappointment even though the exit multiple is the larger valuation risk.

3. Strongest bear case, stated in its strongest form

Arista is priced as if open Ethernet growth necessarily accrues to Arista, but the decisive buyers and suppliers can capture that growth elsewhere. After current performance obligations and supply-constrained shipments convert, one hyperscaler can dual-source a fabric generation to NVIDIA, Cisco, SONiC/white-box, or an internal stack. Product growth then slows while large-customer discounts deepen; the USD 9.7 billion of non-cancellable purchase commitments and USD 2.535 billion of inventory prevent a clean cost reset. Within four to eight quarters, the evidence would be Product growth below 15%, GAAP gross margin below 58%-60%, or renewed inventory/write-down pressure even while aggregate AI capex remains healthy. Service follows later because fewer new deployments reduce the installed-base addition pool.

The short seller's core point is that Ethernet can win while Arista's share, price, and terminal multiple all lose. The Base model gives 50% weight to a path requiring several contested transitions without a major customer-generation loss; Bear receives only 30%. Moving 10 probability points from Base to Bear lowers expected terminal wealth by about USD 11.49 per share, pushing the gross probability-weighted CAGR from +0.98% to roughly -0.24%. The conclusion already fails before that reweighting.

4. Cross-examination of management commentary

Management's statements are useful near-term evidence but do not prove the five-year economics.

First, CEO Jayshree Ullal said, **“Our demand is actually the best I've ever seen”** on the Q1 2026 call. Demand above supply can be real without being durable or firm. Purchase commitments are supplier obligations, not customer orders, and performance obligations include multi-year support. If the statement is overextended into the Base tail, Product growth will decelerate faster than commitments and inventory can be resized.

Second, CFO Chantelle Breithaupt said management was **“raising our 2026 fiscal year outlook to 40% revenue growth”** on 2026-08-04. That is strong evidence for 2026 shipments, not for a 15.08% five-year Product CAGR. The first contradiction would be a 2027 growth guide below the high teens, weaker RPO conversion, or customer concentration remaining high because the same buyers drove the surge.

Third, Ullal said AI fabrics adoption **“now exceeds 100 cumulative customers.”** Cumulative logos are not annual cohorts, production volumes, wallet share, or diversification. A customer can be a trial or a large deployment. The statement becomes economically meaningful only if production wins broaden while top-two concentration declines through growth, Service attachment persists, and gross margin remains resilient.

Management has earned credibility, but governance does not eliminate execution risk. Ullal's long tenure and founder ownership align incentives, while repeated planned insider sales, a classified board, and only 62% 2025 say-on-pay support weaken the check. Succession is not yet a model defect, but the five-year horizon spans a period in which the CEO transition could matter. Duda, Nightingale, and Breithaupt must demonstrate that technical ownership, supply execution, and disclosure quality survive beyond Ullal.

5. Stage 5 tie-out reverification

The recency anchor is current and arithmetically sound. Q3 2025, Q4 2025, Q1 2026, and Q2 2026 are non-overlapping; official standalone Q4 diluted shares are 1,275.8 million; and the day-weighted TTM denominator is 1,275.558356 million. Revenue, operating income, net income, and USD 3.1708467 statutory EPS tie. Recent quarterlies are accelerating, not decelerating, so the model is not starting from stale weakness. That acceleration instead raises normalization risk.

The share path is cautious enough to survive challenge. Terminal diluted shares are 1,305.375991 million in Bear, 1,288.105570 million in Base, and 1,281.705445 million in Bull. Base assumes USD 1.0 billion of annual buybacks but still shows net dilution; it does not manufacture per-share growth through shrinkage. Employee awards, ESPP, withholding, options, repurchases, and treasury-stock-method dilution are carried once. Repurchases are not distributions. H1 2026 had no repurchases despite USD 817.9 million of authorization, which supports skepticism about treating future buybacks as a guaranteed offset.

No forecast CAGR exceeds recent history without a named structural reason. The weakness is evidentiary rather than mechanical: management targets and obligations support the first year, but no unit/ASP, production-cohort, or market-share series proves the post-2027 tail. Supplier commitments are correctly treated as operating risk, not debt. Inventory days improved to 215 from 230 in FY2025, but inventory rose to USD 2.535 billion and USD 9.4 billion of commitments fall within twelve months, leaving a severe mismatch if deployment timing changes.

6. Score-derived 20% return claim and reverse-return challenge

The audited scoring conclusion that the 20% case **does not clear** is correct. At the locked 34x Base exit, a 10% gross annual return requires terminal EPS of USD 8.9123 or an entry price of USD 123.76. A 15% return requires USD 11.1305 EPS or USD 99.10 entry. A 20% return requires USD 13.7699 EPS or USD 80.10 entry; on modeled Base EPS, the required exit is 79.8598x. Those EPS hurdles are respectively 52%, 90%, and 135% above modeled Base EPS of USD 5.8625. Neither margin, dilution, nor buybacks bridge the gap. The audited **0/20** Return Underwriting score and Reject classification are robust.

7. Two-sided valuation challenge and full return replay

I independently replayed the full bridge without changing inputs. Under P/E, terminal EPS of 3.5195665 / 5.8624887 / 8.2427657 times 24x / 34x / 44x produces the following governed results:

Scenario	Probability	Diluted shares (m)	Terminal equity value (USD m)	Value/share	Distribution/share	Gross USD IRR	Net-SGD IRR
Bear	30%	1,305.375991	110,264.582588	84.4695960	0.00	-14.8000698181%	-15.8006190455%
Base	50%	1,288.105570	256,751.147850	199.3246158	0.00	1.1605874332%	1.4291287655%
Bull	20%	1,281.705445	464,851.097900	362.6816908	0.00	14.0261029610%	15.8813402600%

Terminal cash is USD 15 / 22 / 30 billion and debt is zero. Operating leases remain in statutory EPS. Cash is disclosed but **not added again** because P/E is the frozen method; there is no net-cash, EV, or P/B splice. Distributions are source-bound zero. The 30%/50%/20% weighted terminal wealth is USD 197.53952486 per share, and `(197.53952486 / 188.15)^(1/5) - 1` reproduces the gross probability-weighted IRR of **0.9787421189435985%**. The prohibited arithmetic average would be negative; it was not used.

The net-SGD replay also clears. Entry cost is USD 188.15 x 1.2692 SGD/USD x 1.0015 = SGD 239.15817997. Terminal FX is 1.20 / 1.29 / 1.38 SGD/USD and a 15bp exit cost applies to the same USD wealth. Terminal SGD wealth is 101.2114699272 / 256.7430612504 / 499.7499822040. Weighted terminal SGD wealth of 258.6849680442 compounds at **1.5821009184895374%**. Costs are modest; the main overlay is FX. At flat 1.2692 terminal FX in all cases, Base net-SGD IRR is about 1.10% and probability-weighted net-SGD IRR is about 0.92%, so the audited 1.58% expected result receives roughly 0.66 percentage point of help from scenario FX. Even removing that help cannot change PASS.

Strongest reason the model is too optimistic. The Base 34x terminal P/E is the largest generosity. It is near the seven-year median of 34.9056x, but a 2031 company with 9%/10% Product/Service terminal growth, 42% historical top-two concentration, non-exclusive merchant silicon, and unsettled control of AI architecture may deserve less. A 28x sensitivity produces USD 164.1497 of Base terminal wealth and **-2.69%** gross IRR, 3.85 percentage points below audited Base. A 30x sensitivity produces USD 175.8747 and **-1.34%**. These are non-controlling sensitivities, not reverse-engineered replacements.

Strongest reason the model is too bearish. Bear stacks slowing terminal growth, 663.6 basis points of margin compression, rising diluted shares, zero distributions, and a 24x P/E below the replayed 27.5009x lower historical observation. Yet EPS remains positive, debt is zero, and Service/support survives. Applying 27.5009x to the same Bear EPS raises terminal wealth to USD 96.7912 and Bear gross IRR to **-12.45%**, 2.35 percentage points above audited Bear. Zero distributions may also understate future cash return, but Arista has never paid a dividend and had no announced path; inventing one or adding net cash would violate the source and method locks.

The 24x/34x/44x exits were selected before returns, current and terminal earnings denominators are comparable, and both directional challenges are disclosed. Alternative multiples can move annual returns by more than two points, but they are competing evidence-bound valuation judgments rather than corrections to a broken method, denominator, terminal-equity bridge, or arithmetic. No alternative changes Reject or CIO PASS at USD 188.15.

return_model_objection_status: IMMATERIAL

Rationale: no foundational VP defect, share-perimeter error, double count, arithmetic defect, or unresolved CSA issue exists. No VP, S, CS, or CSA reroute is required.

8. Portfolio, volatility, and overlap challenge

ANET is not held directly, and a hardware label superficially fills a portfolio underweight. Economically it adds more AI-infrastructure, hyperscaler-capex, long-duration growth, and technology-factor exposure. The frozen diagnostics estimate ANET annualized SGD volatility at **48.3560%**, correlation to the current portfolio at **0.3271**, and highest listed absolute correlation of **0.4866** with VUG. A standardized 3% funded test raises portfolio volatility from **12.3253% to 12.5045%**, an

increase of **0.1792 percentage point**. This is a context-only diagnostic, not a sizing proposal.

The portfolio's frozen Base diagnostic is 12.4% versus ANET's 1.43% Base net-SGD return; portfolio Bear is -14.6% versus ANET's -15.80%. Adding ANET would therefore dilute expected return and modestly increase measured risk. Diversification cannot rescue security-level asymmetry that already fails. Missing investor-specific tax, broker, and realized FX facts limit only precision; they do not make the PASS conclusion unavailable.

9. P&C insurer bridge verdict

Arista is not a P&C insurer, reinsurer, specialty carrier, or balance-sheet-led financial company. `insurer_return_bridge.json` is correctly absent; retained-versus-managed premiums, fee/NCI reconciliation, common-book roll-forward, terminal ROE/P/B consistency, and negative-EPS-to-zero-equity tests are **not triggered**. P/E remains valid because statutory diluted EPS is positive and reconciled in all scenarios.

10. Signal that forces an exit

The strongest force-exit signal is **GAAP gross margin below 58% for four consecutive reported quarters within the next six quarters, absent a specifically quantified temporary supply or tariff item with a stated reversal timetable**. TTM gross margin is 63.0%, and the governed moat review already identifies 58%-60% as the failure band. Sustained sub-58% economics would show that buyer discounts, hardware mix, merchant-silicon openness, or vertically integrated competition have broken the pricing and platform offset required for Base's 42.8% terminal operating margin. Revenue alone is less diagnostic because AI demand can remain strong while economic value migrates to customers, accelerator vendors, or silicon suppliers.

11. Conviction at the end of red team

The investment thesis does not survive at the frozen price. Arista remains an exceptional operating business with EOS/qualification advantages, high capital returns, strong cash conversion, no debt, and credible management. The security thesis fails because objectively strong Base execution produces only 1.16% gross USD and 1.43% net SGD annually, while Bear loses roughly 15%-16% per year. The severe Base sensitivity turns returns negative without an industry collapse. The strongest optimistic and bearish valuation challenges bracket uncertainty but do not rescue actionability. Monitor margin, customer-generation wins, production Scale-Up/1.6T evidence, inventory, commitments, and succession; reconsider only after per-share earnings outrun the audited path or valuation resets materially.

RT COMPLETE — RED TEAM STAGE CLEARED FOR STAGE 7; RETURN MODEL OBJECTION IMMATERIAL

Agent-management attempted: **NO**.

Arista Networks, Inc. (ANET) - Quantitative Foundation Repair

Stage: QF repair only Staging run: `pulse-cio-20260825T120221+0800\\staging` Information cutoff: 2026-08-25 12:06:45 SGT Currency and scale unless stated: USD millions; shares in millions.

Stage 0 - fixed time anchor

- Today / information date: 2026-08-25 SGT.
- Fiscal year convention: Arista ends December 31.
- Most recently reported quarter: Q2 2026 ended 2026-06-30.
- TTM anchor: Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026 = TTM ending 2026-06-30.
- Forward horizon: 2031-06-30, exactly five calendar years from the TTM end.

P-Quote - immutable valuation anchor

The 2026-08-25 NYSE session had not opened at the fixed 2026-08-25 12:06:45 SGT cutoff. The live official NYSE page sets the normal session close at 4:00 p.m. ET, equivalent to 04:00 SGT in August, and lists neither August 24 nor August 25 as a 2026 holiday. The most recent completed NYSE session was Monday 2026-08-24, whose live FMP stable EOD raw exchange close was $188.15. The packet expires at the next scheduled session close, 2026-08-26 04:00 SGT.

Field	Value
Packet	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Arista Networks\raw\pulse-cio-20260825T120221+0800\\staging\quote_packet.json`
Exact listing	XNYS:ANET, NYSE common stock
Security ID	CUSIP 040413205
Completed-session close	$188.15 on 2026-08-24
Price basis	Raw exchange close; adjustment factor 1.0
Exchange-local close / SGT	2026-08-24 16:00 EDT / 2026-08-25 04:00 SGT
Information cutoff	2026-08-25 12:06:45 SGT
Reporting / quote currency	USD / USD
Packet financial-share denominator	1,274.9 H1 2026 diluted weighted-average common shares; not point-in-time shares
Point-in-time common shares, separately tracked	1,261.2 issued and outstanding at 2026-06-30
Depositary / class factors	1.0 / 1.0; not an ADR and no class conversion
Split bridge	1.0 from 2026-06-30 to 2026-08-24; no intervening split
Listed-unit equivalent diluted denominator	1,274.9 million common-share units
FX bridge	1.0, identity same currency, dated 2026-08-24
Expiry policy	Schema 2.0 `NEXT_SCHEDULED_SESSION_CLOSE`
Completed sessions strictly after quote and before cutoff	0
Next scheduled close / actionability expiry	2026-08-26 04:00 SGT
NYSE calendar evidence SHA-256	`49ee8a651ec01ef2866e347842c0fb11309541f247d17aeaaf7ad9d6a513b1ed`
Raw exact-session price evidence SHA-256	`cd024b05b3fcbac5fca51a71449540a660aa190474012f71430e9ee63580f798`
QF packet SHA-256	`362af06725319aaefd7b83fd49029c3a0fdaad8fc10dcbd35b7fe95faba5711a`
Trade execution authorized	false

The packet field `financial_statement_diluted_shares` is an EPS denominator because that is the quote schema's unit-bridge contract. It is not the opening share count for a capital-structure roll-forward. Downstream dilution work must start from the separately sourced 1,261.2 million point-in-time common shares and must not add the full 24.6 million unvested RSUs to either the 1,274.9 million H1 weighted average or the 15.9 million Q2 treasury-stock dilution; doing so would mix

stock and flow bases and double count awards.

P0 - issuer and source classification

Arista Networks is a U.S. domestic issuer filing Forms 10-K and 10-Q with the SEC. It is neither a foreign private issuer nor an ADR, and the foreign-issuer override does not apply. This targeted refresh live-fetched the exact FMP completed-session price and split history plus the controlling Q2 2026 10-Q and SEC submissions chronology; no warehouse file was used as research evidence. The fresh archive is `C:\Users\Admin\OneDrive\GPT\ER 2.0\Arista Networks\raw\pulse-cio-20260825T120221+0800\\staging\raw`.

The live SEC submissions roster retrieved 2026-08-25 shows the latest Form 10-Q was filed 2026-08-05 for the quarter ended 2026-06-30; the immediately preceding earnings filing was the 2026-08-04 Form 8-K. The live Arista IR result page identifies the same August 4 Q2 2026 release, while direct raw retrieval was blocked by the issuer's Cloudflare challenge on the initial call and identical retry. No later official completed financial period exists, so Q2 2026 and the TTM ending 2026-06-30 remain controlling.

Primary evidence includes the FY2025 10-K, Q2/Q3 2025 10-Qs, Q1/Q2 2026 10-Qs, SEC submissions and companyfacts, both mandatory FMP product endpoints, annual and quarterly statements, FMP 10-K JSON, profile, quote, splits, EOD prices, and the official NYSE hours/calendar page. SEC filings control statutory values and instrument disclosures. FMP discrepancies remain visible.

P1 - product and service revenue, mandatory dual endpoint

Independent FY2025 annual-versus-quarterly comparison

Product line	annual_fmp_reported	annual_sum_of_quarters	Gap	Status
Product	7,576.9	7,576.9	0.0	PASS
Service	1,428.8	1,428.8	0.0	PASS
Total	9,005.7	9,005.7	0.0	PASS

The annual and quarterly endpoints were fetched independently. The annual column was not derived from quarters. Values are USD millions.

Complete quarterly endpoint archive

Period	Product	Service	Total
Q1 2018	0.000	0.000	0.000
Q2 2018	444.767	75.078	519.845
Q3 2018	485.481	77.828	563.309
Q4 2018	503.235	92.491	595.726
Q1 2019	505.415	90.009	595.424
Q2 2019	513.171	95.150	608.321
Q3 2019	555.066	99.349	654.415
Q4 2019	447.498	105.048	552.546
Q1 2020	410.906	112.123	523.029
Q2 2020	421.413	119.157	540.570
Q3 2020	480.242	125.189	605.431
Q4 2020	518.281	130.201	648.482
Q1 2021	539.145	128.417	667.562
Q2 2021	566.467	140.852	707.319
Q3 2021	604.160	144.537	748.697
Q4 2021	667.955	156.504	824.459
Q1 2022	724.718	152.348	877.066
Q2 2022	885.806	166.085	1,051.891
Q3 2022	1,008.689	168.112	1,176.801

Period	Product	Service	Total
Q4 2022	1,096.866	178.686	1,275.552
Q1 2023	1,172.094	179.257	1,351.351
Q2 2023	1,261.537	197.387	1,458.924
Q3 2023	1,285.548	223.908	1,509.456
Q4 2023	1,310.314	230.123	1,540.437
Q1 2024	1,328.845	242.529	1,571.374
Q2 2024	1,423.271	267.129	1,690.400
Q3 2024	1,523.807	287.129	1,810.936
Q4 2024	1,608.098	322.338	1,930.436
Q1 2025	1,692.500	312.300	2,004.800
Q2 2025	1,877.000	327.800	2,204.800
Q3 2025	1,911.700	396.600	2,308.300
Q4 2025	2,095.700	392.100	2,487.800
Q1 2026	2,311.300	397.700	2,709.000
Q2 2026	2,605.200	430.500	3,035.700

FMP returned zero for both Q1 2018 lines; those vendor values are preserved and are not backfilled.

Complete annual endpoint history

Fiscal year	Product	Service	Total
2018	1,841.100	310.269	2,151.369
2019	2,021.150	389.556	2,410.706
2020	1,830.842	486.670	2,317.512
2021	2,377.727	570.310	2,948.037
2022	3,716.079	665.231	4,381.310
2023	5,029.493	830.675	5,860.168
2024	5,884.021	1,119.125	7,003.146
2025	7,576.900	1,428.800	9,005.700

P2 - reportable segment and sealed profit basis

The FY2025 10-K and Q2 2026 10-Q state that Arista operates as one reportable segment. The CODM reviews consolidated quarterly and year-to-date results with primary focus on revenue, gross margin, operating margin, and net income. Cost of revenue and operating expenses are the significant segment expenses. The common modeled profit basis remains the exact statutory label `Income from operations`, the numerator of the CODM's disclosed operating-margin measure. The no-profit-metric fallback is therefore not used.

Period	Modeled segment	Revenue	Cost of revenue	Operating expenses	Exact profit-basis label	Profit	Margin
FY2025	Consolidated company	9,005.7	3,237.0	1,912.6	Income from operations	3,856.1	42.82%
TTM 2026-06-30	Consolidated company	10,540.8	3,899.7	2,094.2	Income from operations	4,546.9	43.14%

There are no corporate/unallocated or operating adjustment lines: the one modeled segment's income from operations equals statutory operating income. Other income is below the line and tax is a tax/post-tax adjustment. Product and service are revenue-only context, not separate modeled financial segments.

P-Taxonomy - primary-source mapping

Product line	Modeled segment	Primary-source basis	Status
Product	Consolidated company	The 10-K describes product revenue as sales of switching and routing platforms; Arista has one reportable segment.	Direct
Service	Consolidated company	The 10-K describes post-contract customer support; Arista has one reportable segment.	Direct

Because there is only one reportable segment, no cross-segment allocation or analyst-created mapping is used.

P3 - consolidated statements and source tie-outs

Official-to-FMP tie-outs

Period	Line item	Official	FMP	Gap	Controlling source	Status
FY2025	Revenue	9,005.7	9,005.7	0.0	SEC 10-K	PASS
FY2025	Operating income	3,856.1	3,856.1	0.0	SEC 10-K	PASS
FY2025	Pretax income	4,249.7	4,249.7	0.0	SEC 10-K	PASS
FY2025	Net income	3,511.4	3,511.4	0.0	SEC 10-K	PASS
FY2025	Diluted EPS	2.75	2.75	0.00	SEC 10-K	PASS
FY2025	Diluted weighted-average shares	1,275.7	1,275.7	0.0	SEC 10-K	PASS
Q2 2026	Revenue	3,035.7	3,035.7	0.0	SEC 10-Q	PASS
Q2 2026	Operating income	1,378.0	1,378.0	0.0	SEC 10-Q	PASS
Q2 2026	Pretax income	1,504.3	1,504.3	0.0	SEC 10-Q	PASS
Q2 2026	Net income	1,212.9	1,212.9	0.0	SEC 10-Q	PASS
Q2 2026	Diluted EPS	0.95	0.95	0.00	SEC 10-Q	PASS
Q2 2026	Diluted weighted-average shares	1,276.0	1,274.9	1.1	SEC 10-Q	PASS, official override

FMP placed the six-month diluted average of 1,274.9 million in its Q2 quarterly field. The filing's three-month diluted denominator is 1,276.0 million. This discrepancy is not a share-count estimate: it is a period-label mismatch and the SEC values control.

Historical consolidated income statement

Fiscal year	Revenue	Operating income	Pretax income	Net income	Diluted EPS	Diluted weighted-average shares
2021	2,948.0	924.7	930.9	840.9	0.66	1,277.0
2022	4,381.3	1,527.1	1,581.8	1,352.4	1.07	1,265.8
2023	5,860.2	2,257.3	2,422.0	2,087.3	1.65	1,268.5
2024	7,003.1	2,944.6	3,265.1	2,852.1	2.23	1,281.1
2025	9,005.7	3,856.1	4,249.7	3,511.4	2.75	1,275.7

All per-share history is on the retroactively adjusted basis of the 2024 four-for-one stock split.

Opening share-unit bridge and denominator control

Measure	Date / period	Shares	Basis and permitted use
Common shares issued and outstanding	2026-06-30 instant	1,261.2	Point-in-time opening common equity for a capital-structure roll-forward
Basic weighted-average shares	Q2 2026	1,260.1	Q2 EPS denominator before potential common shares
Weighted employee-award dilution	Q2 2026	15.9	Treasury-stock-method weighted effect of options, RSUs, and ESPP in aggregate

Measure	Date / period	Shares	Basis and permitted use
Diluted weighted-average shares	Q2 2026	1,276.0	Q2 diluted EPS denominator; 1,260.1 + 15.9
Basic weighted-average shares	H1 2026	1,258.9	Six-month EPS denominator before potential common shares
Weighted employee-award dilution	H1 2026	16.0	Aggregate weighted treasury-stock effect; instrument split not disclosed
Diluted weighted-average shares	H1 2026	1,274.9	Six-month diluted EPS denominator and packet share basis; 1,258.9 + 16.0
Unvested RSUs	2026-06-30 instant	24.6	Gross unvested award stock; not a weighted diluted denominator and not 1:1 current dilution

The three bases are deliberately not relabeled. The 1,261.2 million instant count is the opening common-share stock. The 1,274.9 million H1 diluted average is a period-weighted EPS denominator. The 24.6 million RSU amount is a gross unvested instrument count. Any scenario dilution bridge must choose a coherent opening stock and instrument conversion method; it cannot simply add all three.

P4 - exact TTM construction

Four non-overlapping quarters

Line item	Q3 2025	Q4 2025	Q1 2026	Q2 2026	TTM
Product revenue	1,911.7	2,095.7	2,311.3	2,605.2	8,923.9
Service revenue	396.6	392.1	397.7	430.5	1,616.9
Revenue	2,308.3	2,487.8	2,709.0	3,035.7	10,540.8
Operating income	978.2	1,032.9	1,157.8	1,378.0	4,546.9
Other income, net	98.9	104.5	113.6	126.3	443.3
Pretax income	1,077.1	1,137.4	1,271.4	1,504.3	4,990.2
Provision for income taxes	224.1	181.6	248.5	291.4	945.6
Net income	853.0	955.8	1,022.9	1,212.9	4,044.6
Diluted weighted-average shares	1,276.6	1,275.8	1,273.8	1,276.0	1,275.558356 day-weighted
Operating cash flow	1,268.2	1,261.9	1,693.5	1,083.0	5,306.6
Capex	30.1	37.0	54.5	29.7	151.3
Free cash flow	1,238.1	1,224.9	1,639.0	1,053.3	5,155.3

Q4 2025 monetary lines are derived as FY2025 less the nine months ended 2025-09-30, and the full monetary TTM is independently cross-checked as FY2025 less H1 2025 plus H1 2026. Weighted-average shares are not subtractive: the standalone Q4 2025 diluted denominator is the official 1,275.8 million reported in SEC Exhibit 99.1, independently matched by the fresh FMP Q4 row. Day weighting is `(1,276.6 * 92 + 1,275.8 * 92 + 1,273.8 * 90 + 1,276.0 * 91) / 365 = 1,275.558356 million`. TTM diluted EPS is not summed: $4,044.6 million divided by 1,275.558356 million equals $3.1708467 per listed common share. At the sealed $188.15 completed-session price, the current statutory TTM P/E is `188.15 / 3.1708467 = 59.3375x`. The packet share equation separately ties 1,274.9 H1 diluted weighted-average financial shares times the 1.0 split factor, divided by 1.0 financial shares per listed unit, to 1,274.9 listed-unit equivalents.

The corrected Q4 source is `raw\sec_q4_2025_results_exhibit_2026-08-25.html` (SEC filing URL `https://www.sec.gov/Archives/edgar/data/1596532/000159653226000010/ex991q425-earningsrelease.htm`; SHA-256 `7f412f2251a8e8e4e57ad7c3c2642dfdf8f536d415b0898d7acd0016d407ef0b`). The fresh FMP quarterly cross-check is `raw\fmp_income_quarterly_ANET_q4_share_repair_2026-08-25.json` (SHA-256 `585fc91f6ccc24ca8edf3946cef9d2c235678f757e20c4f1151b66896b0f1658`). FY2025 diluted weighted-average shares remain the separately reported annual value of 1,275.7 million.

P5 - eight-check reconciliation hard gate

Check	Result	Evidence	Largest gap / override
0	PASS	Independently fetched FMP product annual and quarterly endpoints; FY2025 value-level diff in USD	$0.0 million
1	PASS	Domestic Dec-31 filer; XNYS:ANET common stock; USD/USD; no ADR; live SEC and official NYSE evidence archived	0 completed sessions after quote before cutoff
2	PASS	SEC 10-K/10-Q ties revenue, OI, pretax, NI, EPS and shares; unit bridge separates instant and weighted bases	Q2 FMP period-label override: 1.1 million shares
3	PASS	Product and service totals tie consolidated revenue; one-segment taxonomy is primary-source mapped	$0.0 million
4	PASS	Monetary TTM recomputed from four non-overlapping quarters and cross-checked FY-minus-H1-plus-H1; Q4 diluted shares sourced from standalone official Q4 exhibit	$0.0 million; share denominator gap 0.0 million
5	PASS	Issuer-disclosed Income from operations basis bridges through other income and tax to net income	All five residuals $0.0 million
6	PASS	Cash flow, balance sheet, point-in-time shares, weighted denominators, awards, debt, splits and liquidity tie to fresh sources	Debt $0; unit factors 1.0
7	PASS	Every product/service TTM component is source-period tagged; no inferred segment or instrument granularity	$0.0 million

`statutory_bridge.json` passed schema, arithmetic, and evidence validation at SHA-256 `f473d89ca10e244c636d5f0b7fc05b96d8f2b7d11a93f2353bff68eee7ba6776`.

RECONCILIATION: 8/8 checks PASSED

P6 - cash flow, balance sheet, shares, dilution, and liquidity

Annual and TTM cash flow / capital allocation

Period	Operating cash flow	Capex	Free cash flow	SBC	Share repurchases	FCF / net income
FY2021	1,015.9	64.7	951.1	186.9	411.6	113.1%
FY2022	492.8	44.6	448.2	230.9	670.3	33.1%
FY2023	2,034.0	34.4	1,999.6	296.8	112.3	95.8%
FY2024	3,708.2	32.0	3,676.2	355.4	423.6	128.9%
FY2025	4,371.9	119.5	4,252.4	439.2	1,603.1	121.1%
TTM 2026-06-30	5,306.6	151.3	5,155.3	502.3	620.1	127.5%

Balance sheet and liquidity

Date	Cash	Short-term marketable securities	Cash plus securities	Gross debt	Net cash plus securities	Stockholders' equity
2023-12-31	1,938.6	3,069.4	5,008.0	0.0	5,008.0	7,219.1
2024-12-31	2,762.4	5,541.1	8,303.5	0.0	8,303.5	9,994.8
2025-12-31	1,963.9	8,779.1	10,743.0	0.0	10,743.0	12,370.5
2026-06-30	2,290.2	11,053.1	13,343.3	0.0	13,343.3	14,797.7

FMP reports no debt or capital-lease obligations at Q2 2026. Arista has no cash dividend history in the controlling 10-K.

Q2 and H1 weighted employee-award dilution

Period	Basic weighted-average shares	Weighted employee-equity-award effect	Diluted weighted-average shares	Antidilutive employee awards excluded	Reconciliation
Q2 2026	1,260.1	15.9	1,276.0	0.0	1,260.1 + 15.9 = 1,276.0
H1 2026	1,258.9	16.0	1,274.9	0.4	1,258.9 + 16.0 = 1,274.9

The SEC filing defines the weighted employee-equity-award effect as the treasury-stock-method aggregate of stock options, RSUs, and the ESPP. It does not disclose the 15.9 million Q2 or 16.0 million H1 effect by instrument. That instrument-level split is precisely unavailable at QF stage and is not invented.

RSU inventory

RSU activity	Shares	Weighted-average grant-date fair value per share
Unvested at 2025-12-31	28.1	$69.81
Granted in H1 2026	1.4	$139.92
Vested in H1 2026	(4.2)	$52.99
Forfeited / canceled in H1 2026	(0.7)	$65.93
Unvested at 2026-06-30	24.6	$77.36

The quantity reconciliation is exact: 28.1 + 1.4 - 4.2 - 0.7 = 24.6 million. The filing reports $1.5 billion of unamortized compensation cost for all unvested awards, expected to be recognized over about 3.9 years; it does not allocate that cost between RSUs and any remaining options/ESPP awards.

Options and ESPP inventory with precise disclosure limits

Instrument	Latest separately disclosed quantity / economics	Q2/H1 2026 availability	Required treatment
Stock options	0.8 million outstanding and all exercisable at 2025-12-31; weighted-average exercise price $12.93; 2.7-year remaining term; $93.3 million intrinsic value	Q2 2026 10-Q does not disclose options outstanding or exercises separately	Carry the dated FY2025 observation as evidence; do not assume the full 0.8 million remained or infer exercises from aggregate equity-plan issuance
ESPP	FY2025 issued 0.7 million shares at average purchase price $67.27	Q2 2026 10-Q does not disclose H1 ESPP shares or proceeds separately	Do not allocate aggregate H1 issuance/proceeds to ESPP without a source
RSUs	24.6 million unvested at 2026-06-30; full H1 roll-forward disclosed above	Vested share delivery is not separately allocated within aggregate H1 employee-plan issuance	Use the sourced gross RSU stock with an explicit vesting/forfeiture/tax method; do not add 24.6 million 1:1 to a weighted diluted denominator

Direct common-equity and cash bridge

Measure	Q2 2026	H1 2026	Basis
Opening point-in-time common shares	1,259.2	1,256.5	Stockholders' equity statement
Gross common shares issued under employee equity plans	2.0	4.9	Aggregate; option/RSU/ESPP split unavailable
Shares withheld for net settlement	0.0	(0.2)	Filing shows no Q2 share reduction and 0.2 million H1
Repurchases	0.0	0.0	No repurchases in H1 2026
Closing point-in-time common shares	1,261.2	1,261.2	Q2 balance sheet / equity statement
Cash proceeds from employee equity plans	3.5	33.4	Aggregate; instrument split unavailable
Cash tax withholding for net share settlement	(5.0)	(31.2)	Financing/direct-equity cash outflow
Stock-based compensation added to APIC	120.4	241.3	Noncash compensation
Opening APIC	3,036.4	2,911.8	Stockholders' equity statement
Closing APIC	3,155.3	3,155.3	Stockholders' equity statement

The point-in-time share bridge is exact: Q2 1,259.2 + 2.0 = 1,261.2; H1 1,256.5 + 4.9 - 0.2 = 1,261.2. The direct APIC bridge is also exact: Q2 3,036.4 + 120.4 + 3.5 - 5.0 = 3,155.3; H1 2,911.8 + 241.3 + 33.4 - 31.2 = 3,155.3. These proceeds, withholding, and direct-equity fields are available in aggregate only. The H1 allocation of the 4.9 million gross shares, $33.4 million proceeds, and 0.2 million withheld shares among options, RSUs, and ESPP is not disclosed.

Downstream dilution bridge boundary

The source-complete QF opening schedule is therefore:

- opening common equity stock: 1,261.2 million shares at 2026-06-30;
- known gross unvested RSU stock: 24.6 million, with H1 activity and grant-date value;
- dated FY2025 options: 0.8 million at $12.93 exercise price, with H1 remaining quantity unavailable;
- dated FY2025 ESPP issuance: 0.7 million at $67.27, with H1 separate quantity unavailable;
- observed Q2 treasury-stock-method dilution: 15.9 million weighted shares, aggregate across employee awards;
- observed H1 treasury-stock-method dilution: 16.0 million weighted shares, with 0.4 million antidilutive awards excluded;
- observed H1 gross issuance/proceeds/withholding: 4.9 million shares, $33.4 million proceeds, 0.2 million withheld shares and $31.2 million cash withholding, all aggregate.

A downstream instrument-level model may make explicitly labeled scenario assumptions for the unavailable current option/ESPP/instrument allocations, but QF does not supply invented quantities. It must reconcile any terminal diluted-share result back to the 1,261.2 million opening stock and prove it did not double count the historical 15.9/16.0 million weighted effect with the 24.6 million gross RSU stock.

Evidence archive and precedence

Every pull made for this repair is archived under the staging `raw` directory. Fresh FMP datasets are mirrored without overwriting existing files to the investing data warehouse under a timestamped ANET QF folder.

Evidence	SHA-256
Fresh FMP exact completed-close response for 2026-08-24	`cd024b05b3fcbac5fca51a71449540a660aa190474012f71430e9ee63580f798`
Fresh FMP completed-session range cross-check	`50d70d2031a279691626f5e28265efc72e11bf20115159e4fa962a424912056f`
Fresh FMP quarterly-income Q4 share repair	`585fc91f6ccc24ca8edf3946cef9d2c235678f757e20c4f1151b66896b0f1658`
Official NYSE hours/calendar page	`49ee8a651ec01ef2866e347842c0fb11309541f247d17aeaaf7ad9d6a513b1ed`
Official NYSE trading-information page	`5ec94292ba91fbc2ddbaf61a69f84b049a77859390afe05e9fccd3c526ffabf6`
FY2025 SEC 10-K	`27e8a79d8d462670a9ed2073bdd56f70b4f7682edf9b3c89c2560f1c234de888`
Q2 2026 SEC 10-Q, live refresh	`ef779da6a72b571c20f9f6f91c4d1acb009e85d2ae2f6fd39d284e9283811361`
Q4 2025 SEC results exhibit, live repair	`7f412f2251a8e8e4e57ad7c3c2642dfdf8f536d415b0898d7acd0016d407ef0b`
SEC submissions chronology, live refresh	`fa50270a65eca8d94ee64b952de6f719c80dea0ec2a64573e4a2ab54225af83e`
FMP product annual	`dcb17d151f18c51a0ba2ea111023bd005e366f668f853ec0eefb444a600deaf5`
FMP product quarterly	`1b53981712302b4a07f29d854859278bb8d88053088424c08a92f44865eec443`
Corrected TTM reconciliation evidence	`de9a78b03c7048defcb2eb34b6812225b6f0443849bfe4312f04fb56a6ac9053`
Segment-profit basis evidence	`fc024a05520dd0b4471bbba309f84180356f77e5dac480f224ef02e0b86552c6`
Capital-structure and dilution evidence	`afbf88411abf9fa447bacecc70488ae867d09d13b20f749882a411be925c9439`

Official SEC statements control whenever a vendor field differs. No management transcript or narrative estimate is included in this QF stage.

STATUTORY_BRIDGE_VALID STATUTORY_BRIDGE_SHA256: f473d89ca10e244c636d5f0b7fc05b96d8f2b7d11a93f2353bff68eee7ba6776 QUOTE_PACKET_VALID QUOTE_PACKET_SHA256: 362af06725319aaefd7b83fd49029c3a0fdaad8fc10dcbd35b7fe95faba5711a RECONCILIATION: 8/8 checks PASSED

Arista Networks, Inc. (ANET) — Independent Production QFR Hard-Gate Review

QF path reviewed: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Arista Networks\raw\pulse-cio-20260825T120221+0800\staging\quant_foundation.md` Independent evidence archive: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Arista Networks\raw\pulse-cio-20260825T120221+0800\staging\raw\qfr_review_20260825T1217+0800` Review timestamp / final validator time: 2026-08-25T12:38:59+08:00. QF artifact SHA-256: `7d97b82af42f6e5d81dee739ad174edd9344b59d610ee5293f0e2a8e564c65e6`. Frozen Stage 0 anchor: FY end December 31; latest quarter Q2 2026 ended 2026-06-30; TTM = Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026; horizon = 2031-06-30, exactly 5.0 years. Live-fetch rule followed: fresh FMP stable endpoints, SEC submissions/companyfacts, the exact SEC filing URLs, and the official NYSE calendar were used. No warehouse or prior-review dataset was used as independent proof. New FMP pulls were copied without overwrite to `C:\Users\Admin\OneDrive\Cowork\Investing\data warehouse\fmp\ANET\2026-08-25T120221+0800\qfr`. Agent-management-attempted: NO. Trade execution authorized: false.

Validator and exact-byte seal status

Artifact	Validator result	Exact SHA-256	Independent disposition
`quote_packet.json`	`QUOTE_PACKET_VALID` at aware SGT time above	`362af06725319aaefd7b83fd49029c3a0fdaad8fc10dcbd35b7fe95faba5711a`	PASS; no repair required
`statutory_bridge.json`	`STATUTORY_BRIDGE_VALID`	`f473d89ca10e244c636d5f0b7fc05b96d8f2b7d11a93f2353bff68eee7ba6776`	PASS; byte-identical governed bridge, no repair required

QUOTE_PACKET_SHA256: 362af06725319aaefd7b83fd49029c3a0fdaad8fc10dcbd35b7fe95faba5711a
STATUTORY_BRIDGE_SHA256: f473d89ca10e244c636d5f0b7fc05b96d8f2b7d11a93f2353bff68eee7ba6776

Neither sealed packet was modified. The quote validator independently reproduced the listing, chronology, price equation, split/share/unit arithmetic, identity FX, evidence hashes, and unexpired next-session-close policy. The statutory validator found both required periods, zero unresolved items, and all five residuals within tolerance for each period.

Independent evidence manifest

Evidence	Live source / local file	SHA-256 or retrieval result
Exact completed close	FMP stable `historical-price-eod/full?symbol=ANET&from=2026-08-24&to=2026-08-24`; `qfr_fmp_eod_2026-08-24.json`	`cd024b05b3fcbac5fca51a71449540a660aa190474012f71430e9ee63580f798`
Profile / listing	FMP stable `profile`; `qfr_fmp_profile.json`	`3bd518ed3936e578e8c99b2ebd939cc06b525c0e6631b7c4eaebeb40fab7511d`
Splits	FMP stable `splits`; `qfr_fmp_splits.json`	`682e4a3da8d9180ed83fe8271883b47ed789fcacaa0372ed5f8bc95ebea2f7c0`
Product annual / quarter	FMP stable `revenue-product-segmentation`; independent `period=annual` and `period=quarter` pulls	`dcb17d151f18c51a0ba2ea111023bd005e366f668f853ec0eefb444a600deaf5` / `1b53981712302b4a07f29d854859278bb8d88053088424c08a92f44865eec443`
Income annual / quarter	FMP stable `income-statement`; independent annual and quarterly pulls	`700e997e3bbe289dc228a4dadb58f88f0c57dfb081388c326a7d97d394e8097d` / `440fba356d7dd75015b4e423f0472e8c681811e264542bd3021e47f300aaa824`
Cash flow annual / quarter	FMP stable `cash-flow-statement`; independent annual and quarterly pulls	`f94d6c50295ffa92ddb96e6aae16d27c09cddb705251fbd8d222e47a43d59a29` / `d6c2f330054e55e5e006ee03638047c588d93cbdcf16bf7adc78c864efef02b2`
Balance sheet annual / quarter	FMP stable `balance-sheet-statement`; independent annual and quarterly pulls	`4911670ee416a569104036817d63b7e6a2874552e63de752fe0d0fe33f60f777` / `bb11f7823faf411d64b50401964c49b9226789c54a0259d87b86078de6cdc079`
SEC chronology	SEC submissions API `CIK0001596532.json`; `qfr_sec_submissions.json`	`fa50270a65eca8d94ee64b952de6f719c80dea0ec2a64573e4a2ab54225af83e`

Evidence	Live source / local file	SHA-256 or retrieval result
SEC XBRL cross-check	SEC companyfacts API; `qfr_sec_companyfacts.json`	`e548756a238d794e61322ba2d70b913b5d2f925c161fba73236f54a13df85c2f`
FY2025 10-K	`https://www.sec.gov/Archives/edgar/data/1596532/000159653226000013/anet-20251231.htm`	Exact official URL opened live 2026-08-25
Q4 2025 results exhibit	`https://www.sec.gov/Archives/edgar/data/1596532/000159653226000010/ex991q425-earningsrelease.htm`	Exact official URL opened live 2026-08-25
Q2 2026 10-Q	`https://www.sec.gov/Archives/edgar/data/1596532/000159653226000175/anet-20260630.htm`	Exact official URL opened live 2026-08-25
NYSE hours / calendar	`https://www.nyse.com/trade/hours-calendars`; `qfr_nyse_hours_calendar.html`	`49ee8a651ec01ef2866e347842c0fb11309541f247d17aeaaf7ad9d6a513b1ed`

Direct static SEC HTML downloads returned HTTP 403 on the initial call and identical retry. The exact same official filing URLs were then opened live through the web runtime; SEC submissions and companyfacts were also freshly archived and source-hashed. No alternative filing endpoint or cache substituted for the controlling official evidence.

Q/A/B/C/D/E/F/G/H hard-gate results

Check	Result	Independent result
Q — quote/listing/unit anchor	PASS	Fresh FMP EOD returned raw XNYS:ANET close `$188.15` on 2026-08-24; `188.15 × 1.0 = 188.15`, exact $0.00 gap. Fresh FMP profile and SEC cover identify common stock, symbol ANET, NYSE, USD, CUSIP 040413205, and non-ADR status. Fresh splits data shows the last split was 4-for-1 on 2024-12-04, so no intervening split exists from 2026-06-30 to 2026-08-24. Unit equations reproduce `1.0 × 1.0 = 1.0` financial shares per listed unit, `1,274.9 × 1.0 = 1,274.9` quote-basis diluted shares, and `1,274.9 / 1.0 = 1,274.9` listed equivalents. Same-currency FX is 1.0.
Q — calendar / expiry	PASS	NYSE lists no August 24 or 25 holiday and sets the core/closing-auction close at 4:00 p.m. ET. At the 2026-08-25 SGT cutoff and review time, no completed session followed the Monday quote. Tuesday 2026-08-25 at 4:00 p.m. EDT is 2026-08-26T04:00:00+08:00, exactly the packet expiry.
A — FMP annual endpoint	PASS	Fresh FY2025 annual endpoint reports Product `$7,576.9m` and Service `$1,428.8m`, total `$9,005.7m`; values match QF and the 10-K.
B — FMP quarterly endpoint	PASS	Fresh FY2025 quarterly sum is Product `$7,576.9m` and Service `$1,428.8m`, both exactly equal the independently pulled annual endpoint. Fresh TTM quarterly sums are Product `$8,923.9m` and Service `$1,616.9m`, total `$10,540.8m`.
C — latest-quarter official tie-out	PASS	Q2 2026 official values are Product `$2,605.2m`, Service `$430.5m`, revenue `$3,035.7m`, operating income `$1,378.0m`, pretax `$1,504.3m`, tax `$291.4m`, net income `$1,212.9m`, diluted EPS `$0.95`, Q2 diluted shares `1,276.0m`, and H1 diluted shares `1,274.9m`. QF matches and correctly discloses that FMP put the H1 `1,274.9m` denominator in its Q2 field.
D — annual filing / segment basis	PASS	FY2025 10-K and Q2 2026 10-Q both identify one reportable segment. CODM reporting focuses on consolidated revenue, gross margin, operating margin and net income; cost of revenue and operating expenses are reviewed separately. The modeled `Income from operations` basis is the statutory numerator of operating margin, with no corporate allocation or adjusted-profit plug. FY bridge reproduces `3,856.1 + 393.6 = 4,249.7` pretax and `4,249.7 − 738.3 = 3,511.4` net income.

Check	Result	Independent result
E — TTM construction	PASS	FY2025 − H1 2025 + H1 2026 gives revenue 10,540.8, operating income 4,546.9, other income 443.3, pretax 4,990.2, tax 945.6, and net income 4,044.6 (USD m). QF now uses the official standalone Q4 2025 diluted denominator of 1,275.8m, independently matched by the fresh FMP Q4 row. Day weighting independently reproduces (1,276.6×92 + 1,275.8×92 + 1,273.8×90 + 1,276.0×91)/365 = 1,275.558356m; TTM EPS is $3.1708467, computed rather than summed; and $188.15 / $3.1708467 = 59.3375x.
F — statements / statutory bridges	PASS	Both latest-FY and TTM statutory bridges independently reproduce all five residuals at $0.0m; other income is below-the-line and tax is post-pretax. TTM OCF is 4,371.9 − 1,841.8 + 2,776.5 = 5,306.6; capex is 119.5 − 52.4 + 84.2 = 151.3; FCF is 5,155.3. Q2 balance sheet gives cash $2,290.2m, marketable securities $11,053.1m, debt $0, and equity $14,797.7m.
G — product/segment provenance	PASS	Taxonomy completeness is 3/3: Product and Service revenue lines 2/2, plus modeled reportable segment 1/1. Product and Service remain revenue context and are not invented as separate profit segments.
H — final gate integrity	PASS	All Q/A–H checks now pass. QF remains well-formed with RECONCILIATION: 8/8 checks PASSED; every required value has controlling-source evidence; annual and quarterly segmentation data reconcile; both sealed packets validate, remain unexpired where applicable, and hash to the exact values recorded below.

Discrepancy inventory and final resolution

Comparison	Maximum gap	Disposition
FMP vs official FY2025/Q2/TTM monetary bridge values	$0.0m	No monetary override required
FMP Q2 diluted-share label vs official Q2 denominator	1.1m shares (1,274.9m H1 value in FMP vs 1,276.0m Q2 official)	QF official-source period-label override is correct and visible
QF Q4 diluted shares vs official Q4 exhibit / fresh FMP	0.0m shares (1,275.8m vs 1,275.8m)	Prior blocker repaired; corrected day-weighted TTM shares, TTM EPS and current P/E independently reproduce
FMP annual product endpoint vs fresh quarterly sum	$0.0m	No override
Foreign-issuer override	Not applicable	U.S. domestic 10-K/10-Q filer

The prior blocker is fully repaired in QF SHA-256 7d97b82af42f6e5d81dee739ad174edd9344b59d610ee5293f0e2a8e564c65e6. The official Q4 exhibit, repaired QF raw archive, independent QFR FMP quarterly evidence, and recomputed arithmetic agree. quote_packet.json and statutory_bridge.json required no change and retain the exact hashes above. No independent gap remains unresolved.

Terminal verdict

QUANT FOUNDATION VERIFIED — CLEARED FOR WAVE 1

Arista Networks, Inc. (ANET) — Data Package

Stage: D targeted QFR-correction repair, Production Mode Information cutoff: 2026-08-25 12:06:45 SGT Fiscal year end: December 31 Latest completed quarter: Q2 2026 ended 2026-06-30 TTM: Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026, ending 2026-06-30 Forward horizon: 2031-06-30 Currency and scale: USD billions unless a table says USD millions; shares are millions. QFR-cleared quantitative foundation SHA-256: `7d97b82af42f6e5d81dee739ad174edd9344b59d610ee5293f0e2a8e564c65e6` Exact quote anchor: XNYS:ANET common share, USD 188.15 completed-session close on 2026-08-24; actionability expiry `2026-08-26T04:00:00+08:00`. Sealed quote packet SHA-256: `362af06725319aaefd7b83fd49029c3a0fdaad8fc10dcbd35b7fe95faba5711a` Sealed statutory bridge SHA-256: `f473d89ca10e244c636d5f0b7fc05b96d8f2b7d11a93f2353bff68eee7ba6776`

0. Source control and use boundary

This package uses fresh pulls made during the current D refresh. FMP supplied standardized statements, product/service histories, key metrics and transcripts; official SEC filings control statutory figures, share counts, equity-award quantities and any vendor disagreement. No local data-warehouse cache or prior report was used as research evidence. The prior repaired package was used only as a writing structure after the current evidence had been fetched. Operating evidence remains under `raw/d_refresh_20260819`; the targeted share/EPS/quote repair is controlled by the QFR-cleared 2026-08-25 quantitative foundation identified above, including the official standalone-Q4 diluted-share evidence in the [Q4 2025 SEC results exhibit](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000010/ex991q425-earningsrelease.htm). The other controlling official sources are the live-fetched [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000013/anet-20251231.htm), [Q3 2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1596532/000159653225000286/anet-20250930.htm), [Q1 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000078/anet-20260331.htm), [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000175/anet-20260630.htm), and the live-fetched [Q2 2026 IR results release](https://investors.arista.com/Communications/Press-Releases-and-Events/Press-Release-Detail/2026/Arista-Networks-Inc--Reports-Second-Quarter-2026-Financial-Results/default.aspx).

Reported facts are labeled `Reported`. Calculations from reported inputs are labeled `Calculated`. No award quantity is inferred from stock-based compensation expense, grant-date fair value, the share price, or an assumed instrument mix. A missing issuer allocation is labeled exactly `True non-disclosure` and is accompanied by the official sources and searches used.

0a. Industry classification and disclosure inventory

Arista is a U.S. GAAP networking hardware and software issuer with one reportable segment. It has hardware-like supply, customer-concentration and product-cycle economics, while recurring support and software appear inside Service revenue. The hardware checklist applies. FMP is complete for consolidated statements and Product/Service revenue, but thin for customer sectors, AI/campus goals, geography, units, ASPs, capacity, design wins, backlog and the instrument-level award ledger. Official filings therefore control those topics.

Live source inventory: FY2025 Form 10-K; Q3 2025, Q1 2026 and Q2 2026 Forms 10-Q; official IR results pages for Q3 2025 through Q2 2026; FMP annual and quarterly income statements, balance sheets and cash-flow statements; FMP annual and quarterly product and geographic segmentation; FMP annual key metrics and ratios; FMP profile, share-float and enterprise-value datasets; and FMP transcripts for all four calls. Search inventory: `segment`, `geographical information`, `product revenue`, `service revenue`, `customer concentration`, `Cloud and AI Titans`, `Core`, `Cognitive Adjacencies`, `AI fabrics`, `campus`, `units`, `ports`, ASP, `utilization`, `capacity`, `backlog`, `book-to-bill`, `design wins`, `inventory`, `purchase commitments`, `stock options`, `restricted stock units`, RSUs, ESPP, `granted`, `vested`, `forfeited`, `exercised`, `shares issued`, `tax withholding`, `repurchases`, `treasury stock`, and `additional paid-in capital`.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Segment economics	2025 10-K Note 9; Q2 2026 10-Q Note 9	segment, CODM, operating margin, net income	FY2025 and TTM; five-year consolidated history	Yes	None	One-segment operating forecast and statutory bridge
Product and service	2025 10-K; Q2 2026 10-Q; FMP product endpoints	product revenue, service revenue	FY2021-FY2025; quarterly through Q2 2026	Yes	None	Mix, growth and gross-margin context

Dataset / table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Gross margin and inventory	2025 10-K; Q2 2026 10-Q; fresh FMP statements	gross profit, gross margin, inventory, cost of revenue	FY2021-FY2025 plus latest quarter / TTM	Yes	None	Supply-risk, mix and working-capital controls
Geography	Fresh FMP annual/quarter geographic endpoints; 2025 10-K; Q2 2026 10-Q	customers' shipping addresses	FY2021-FY2025 and Q2 2026	Yes	None	International diversification
Customer/product sectors	2025 10-K; four calls/releases	Core, Cognitive Adjacencies, Cognitive Networks (Software and Services), Titans, enterprise, AI	FY2025 mix; FY2026 goals	Yes	Only percentage/management-goal basis	Concentration and scenario drivers
Hardware operating KPIs	2025 10-K; Q2 2026 10-Q; calls/releases	units, ASP, capacity, utilization, book-to-bill, backlog, design wins	No standardized series	No	True non-disclosure; exact sources/searches above	Limits unit-price decomposition
Capital and balance sheet	FMP statements; 2025 10-K; Q2 2026 10-Q	cash, securities, debt, equity, capex, R&D	FY2021-FY2025 and Q2 2026	Yes	None	ROIC, liquidity, reinvestment
Equity awards/common shares	2025 10-K Note 6; Q2 2026 10-Q Notes 6-7 and equity/cash-flow statements	options, RSUs, ESPP, dilution, APIC, issuance, withholding	FY2025 and H1/Q2 2026	Yes	Instrument allocation gaps labeled True non-disclosure	Valuation claim perimeter and diluted-share roll-forward
Recent trend and guidance	Four live official IR results pages; Q2 SEC earnings exhibit; four FMP transcripts	revenue, gross margin, operating margin, AI, campus, supply	Q3 2025-Q2 2026	Yes	None	Forecast recency and management anchor

Material KPI history

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim / TTM	Source path
Product revenue ($B)	Product	2.378	3.716	5.029	5.884	7.577	TTM 8.924	Fresh FMP annual/quarter product endpoints; official Q2 10-Q
Service revenue ($B)	Service	0.570	0.665	0.831	1.119	1.429	TTM 1.617	Fresh FMP annual/quarter product endpoints; official Q2 10-Q
Consolidated gross margin (%)	Consolidated	63.80	61.07	61.95	64.13	64.06	TTM 63.00	Calculated from fresh FMP revenue/gross-profit statements; FY2025 10-K and Q2 2026 10-Q tie
Inventory ($B)	Consolidated	0.650	1.290	1.945	1.835	2.247	Q2 2026 2.535	Fresh FMP balance sheets; official FY2025 10-K and Q2 2026 10-Q tie
Inventory days	Consolidated	193.2	207.6	264.8	274.6	230.1	TTM 215.0	Calculated as average beginning/ending inventory divided by period cost of revenue times 365
Americas revenue ($B)	Shipping address	2.156	3.463	4.651	5.729	7.122	Q2 2026 2.338	Fresh FMP geographic endpoints; 2025 10-K; Q2 2026 10-Q
EMEA revenue ($B)	Shipping address	0.487	0.530	0.671	0.713	1.070	Q2 2026 0.438	Fresh FMP geographic endpoints; 2025 10-K; Q2 2026 10-Q
Asia-Pacific revenue ($B)	Shipping address	0.305	0.389	0.538	0.561	0.813	Q2 2026 0.260	Fresh FMP geographic endpoints; 2025 10-K; Q2 2026 10-Q
R&D ($B)	Consolidated	0.587	0.728	0.855	0.997	1.237	H1 2026 0.550	Fresh FMP annual income; Q2 2026 10-Q

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim / TTM	Source path
Purchase commitments ($B)	Consolidated	n/a	n/a	n/a	n/a	6.8 at Q4 call	9.7 at Q2 2026	Official calls and Q2 10-Q; point-in-time, not backlog
Revenue backlog / book-to-bill	Consolidated	n/d	n/d	n/d	n/d	n/d	n/d	True non-disclosure after 10-K/10-Q/call searches; deferred revenue and performance obligations are not relabeled backlog

`n/d` above means `True non-disclosure` under the documented search inventory. `n/a` means the five-year historical series was not a required issuer KPI and was not presented in the current controlling filings.

1. Reporting structure and taxonomy

Arista has one reportable segment, `Consolidated company`, covering its client-to-cloud networking platform, hardware switching/routing products, EOS/CloudVision software and support services. FY2025 segment revenue was $9.0057 billion, 100% of consolidated revenue. Product and Service are revenue types, not reportable segments and not independent profit centers.

Reporting structure is stable as one reportable segment through FY2021-FY2025 and Q2 2026. The FY2025 10-K adds richer customer/product-sector percentages and the CODM expense framework required by the new segment-disclosure standard; this is expanded disclosure, not a reportable-segment realignment. No 8-K around the FY2025 boundary supplied restated multi-segment financials. All per-share history is on the retroactively adjusted basis of the December 2024 four-for-one stock split.

FY2025 geography was Americas $7.1221 billion (79.1%), EMEA $1.0703 billion (11.9%) and Asia-Pacific $0.8133 billion (9.0%). Q2 2026 geography was Americas $2.3379 billion (77.0%), EMEA $0.4382 billion (14.4%) and Asia-Pacific $0.2596 billion (8.6%). Two unnamed customers represented 26% and 16% of FY2025 revenue. Their identities and product allocations are not disclosed in the 10-K; management separately describes long-standing large partners on calls, but this package does not override the filing's unnamed-customer labels.

2. Consolidated historicals

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	2.948	4.381	5.860	7.003	9.006	Fresh FMP annual income; FY2025 10-K tie
Operating income ($B)	0.925	1.527	2.257	2.945	3.856	Fresh FMP annual income
Operating margin (%)	31.37	34.85	38.52	42.05	42.82	Calculated: operating income / revenue
Net income ($B)	0.841	1.352	2.087	2.852	3.511	Fresh FMP annual income
EPS, diluted ($)	0.66	1.07	1.65	2.23	2.75	Fresh FMP annual income; split adjusted
Diluted weighted-average shares (M)	1,277.0	1,265.8	1,268.5	1,281.1	1,275.7	Fresh FMP annual income; FY2025 10-K
Capex ($B)	0.065	0.045	0.034	0.032	0.120	Fresh FMP annual cash flow; outflow shown positive
Free cash flow ($B)	0.951	0.448	2.000	3.676	4.252	Fresh FMP annual cash flow
ROIC (%)	28.2	34.0	40.8	41.1	36.1	Calculated below

ROIC is calculated as NOPAT divided by average invested capital. NOPAT equals statutory operating income multiplied by one minus the effective tax rate. Invested capital equals stockholders' equity plus debt less cash and cash equivalents; marketable securities are deliberately not subtracted, making the denominator conservative for this cash-rich issuer. FY2021-FY2025 NOPAT was $0.835/$1.306/$1.945/$2.572/$3.186 billion, while average invested capital was

$2.957/$3.836/$4.769/$6.256/$8.820 billion. Effective tax rates were 9.7%/14.5%/13.8%/12.6%/17.4%. Source inputs are the fresh FMP annual income and balance-sheet pulls; calculations are D arithmetic.

TTM to 2026-06-30 was revenue $10.5408 billion, operating income $4.5469 billion, pretax income $4.9902 billion, net income $4.0446 billion, operating cash flow $5.3066 billion, capex $0.1513 billion and free cash flow $5.1553 billion. Corrected day-weighted TTM diluted shares are 1,275.558356 million, using the official standalone Q4 2025 diluted denominator of 1,275.8 million and `(1,276.6 x 92 + 1,275.8 x 92 + 1,273.8 x 90 + 1,276.0 x 91) / 365`. Corrected TTM diluted EPS is $3.1708467 (`$4,044.6 million / 1,275.558356 million`); quarterly EPS values were not summed. At the sealed USD 188.15 completed-session price, current statutory TTM P/E is 59.3375x.

3. Segment historicals

Consolidated company	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	2.948	4.381	5.860	7.003	9.006	Fresh FMP annual income; one segment per 10-K Note 9
YoY (%)	n.m.	48.6	33.8	19.5	28.6	Calculated
Income from operations ($B)	0.925	1.527	2.257	2.945	3.856	Exact sealed segment profit basis; SEC/FMP
Margin on Income from operations (%)	31.37	34.85	38.52	42.05	42.82	Calculated

The exact common segment profit basis is `Income from operations`. It is issuer-disclosed through the CODM's focus on operating margin and equals statutory operating income for the one modeled segment. The single-segment consolidated fallback is not used. Product and Service remain revenue-only context.

3a. Historical statutory-profit bridge and forecast-driver ledger

The following reproduces the QFR-sealed packet without changing labels, signs, source IDs, currency, scale or classifications. Values are USD millions.

FY2025 bridge

Bridge line	Classification	Value	Source ID	Running subtotal
Consolidated company	segment profit	3,856.1	SEGMENT_NOTE_BASIS	3,856.1
Sum of reportable segment profit	segment profit	3,856.1	SEGMENT_NOTE_BASIS	3,856.1
Consolidated segment profit metric	subtotal	3,856.1	SEGMENT_NOTE_BASIS	3,856.1
Statutory operating income	statutory subtotal	3,856.1	SEC_2025_10K	3,856.1
Other income, net	other_non_operating	393.6	SEC_2025_10K	4,249.7
Pretax income	statutory subtotal	4,249.7	SEC_2025_10K	4,249.7
Provision for income taxes	tax	(738.3)	SEC_2025_10K	3,511.4
Net income	statutory subtotal	3,511.4	SEC_2025_10K	3,511.4

TTM ending 2026-06-30 bridge

Bridge line	Classification	Value	Source ID	Running subtotal
Consolidated company	segment profit	4,546.9	SEGMENT_NOTE_BASIS	4,546.9
Sum of reportable segment profit	segment profit	4,546.9	SEGMENT_NOTE_BASIS	4,546.9
Consolidated segment profit metric	subtotal	4,546.9	SEGMENT_NOTE_BASIS	4,546.9
Statutory operating income	statutory subtotal	4,546.9	TTM_RECONCILIATION	4,546.9
Other income, net	other_non_operating	443.3	TTM_RECONCILIATION	4,990.2
Pretax income	statutory subtotal	4,990.2	TTM_RECONCILIATION	4,990.2
Provision for income taxes	tax	(945.6)	TTM_RECONCILIATION	4,044.6
Net income	statutory subtotal	4,044.6	TTM_RECONCILIATION	4,044.6

There are no corporate/unallocated or operating-bridge adjustments in either sealed period. All five residuals are $0.0 million in each period, within the sealed tolerance.

Forecast-driver ledger for S

Historical bridge line	FY2025 value	TTM value	Reported fact	Forecast treatment	Bear / base / bull assumption S must make
Revenue	9,005.7	10,540.8	Reported / reconciled	Product plus Service growth roll-forward	Choose distinct growth paths; preserve one-segment rollup
Income from operations	3,856.1	4,546.9	Reported / sealed	Revenue multiplied by scenario operating margin	Choose margin path; do not substitute non-GAAP call margins
Other income, net	393.6	443.3	Reported / sealed below-line	Average cash/securities multiplied by scenario after-fee yield plus separately justified other items	Choose cash build/use and yield; never embed in operating margin
Pretax income	4,249.7	4,990.2	Calculated sealed subtotal	Operating income plus other income	Mechanical only
Provision for income taxes	(738.3)	(945.6)	Reported / sealed	Scenario effective tax rate multiplied by pretax income	Choose tax path; latest management non-GAAP guide is 21.5%, not a GAAP fact
Net income	3,511.4	4,044.6	Reported / sealed	Pretax less tax	Mechanical only
Opening common shares	n/a	1,261.2 at 2026-06-30	Reported point-in-time stock	Instrument-level roll-forward in Section 6a	S chooses future grants, vesting, forfeiture, settlement, withholding and repurchases by scenario
Observed Q2 diluted denominator	n/a	1,276.0	Reported period-weighted flow	Cross-check only	Do not use as opening point-in-time stock

STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING

4. Product and sub-segment historicals

Product and Service are the finest recurring GAAP dollar disclosure. Named families such as Etherlink, EOS, CloudVision, AI fabrics, campus and routing are not separately reported as audited product revenue lines.

Segment	Product	What it is	Dollar disclosure?	FY2023 / FY2024 / FY2025 revenue ($B) and source
Consolidated company	Product	Switching/routing platforms and related hardware/software bundled with products	Yes	5.029 / 5.884 / 7.577; fresh FMP annual product endpoint tied to 10-K
Consolidated company	Service	Post-contract support and other services	Yes	0.831 / 1.119 / 1.429; fresh FMP annual product endpoint tied to 10-K

Product line	FY2021	FY2022	FY2023	FY2024	FY2025	FY2025 mix	Source
Product revenue ($B)	2.378	3.716	5.029	5.884	7.577	84.1%	Fresh FMP annual product endpoint
Service revenue ($B)	0.570	0.665	0.831	1.119	1.429	15.9%	Fresh FMP annual product endpoint
Total ($B)	2.948	4.381	5.860	7.003	9.006	100.0%	Sum ties consolidated revenue

Named category	Disclosure method	Last disclosed measure	Four-quarter YoY series?	Source / treatment
Core cloud, AI and data-center products	Percentage mix only	65% of FY2025 revenue	True non-disclosure	2025 10-K; do not convert to a purported audited product line
Cognitive Adjacencies	Percentage mix only	18% of FY2025 revenue	True non-disclosure	2025 10-K; includes campus/routing context
Cognitive Networks (Software and Services)	Percentage mix only	17% of FY2025 revenue	True non-disclosure	2025 10-K; differs from GAAP Service revenue taxonomy
Cloud and AI Titans	Customer-sector mix only	48% of FY2025 revenue	True non-disclosure	2025 10-K; customer sector, not product

Named category	Disclosure method	Last disclosed measure	Four-quarter YoY series?	Source / treatment
AI and Specialty Providers	Customer-sector mix only	20% of FY2025 revenue	True non-disclosure	2025 10-K; customer sector, not product
Enterprise	Customer-sector mix only	32% of FY2025 revenue	True non-disclosure	2025 10-K; customer sector, not product
AI fabrics	Management KPI / goal	At least $3.5B FY2026 goal at Q2 call	True non-disclosure	Not a GAAP product revenue line; scenario context only
Campus	Management KPI / goal	At least $1.25B FY2026 goal at Q2 call	True non-disclosure	Not a GAAP product revenue line; scenario context only

No named product has a clean four-quarter YoY growth series without absolute dollars. Therefore no figures are back-solved, and no estimated dollar rows appear in this package.

5. Most recent quarterly trend

Arista's FY ends December 31. Most recently completed fiscal quarter at the information cutoff: FY2026 Q2, covering April-June 2026, reported on 2026-08-04 via the [SEC earnings exhibit](https://www.sec.gov/Archives/edgar/data/1596532/000159653226000174/ex991q226-earningsrelease.htm).

Quarter	Revenue ($B)	YoY (%)	Income from operations ($B)	GAAP operating margin (%)	Source
Q3 2025	2.308	27.5	0.978	42.4	Fresh FMP quarter statements/product endpoint; SEC Q3 release
Q4 2025	2.488	28.9	1.033	41.5	Fresh FMP quarter statements/product endpoint; SEC Q4 release
Q1 2026	2.709	35.1	1.158	42.7	Fresh FMP quarter statements/product endpoint; SEC Q1 release
Q2 2026	3.036	37.7	1.378	45.4	Q2 2026 10-Q and SEC release

Quarter	Product revenue ($B)	Product YoY (%)	Service revenue ($B)	Service YoY (%)	Source
Q3 2025	1.912	25.5	0.397	38.1	Fresh FMP quarterly product endpoint
Q4 2025	2.096	30.3	0.392	21.6	Fresh FMP quarterly product endpoint
Q1 2026	2.311	36.6	0.398	27.3	Fresh FMP quarterly product endpoint
Q2 2026	2.605	38.8	0.431	31.3	Q2 2026 10-Q and fresh FMP endpoint

The official Q2 headline self-check passed: the SEC exhibit reports $3.0357 billion GAAP revenue and 37.7% year-over-year growth. The largest modeled segment is the consolidated company, so this is the required largest-segment headline check.

6. Management commentary on forward growth

The transcript dates returned by the fresh FMP calls are 2025-11-04, 2026-02-12, 2026-05-05 and 2026-08-04, matching Q3 2025 through Q2 2026. Quotes below are intentionally short; surrounding guidance is paraphrased to keep instrument and accounting labels clear.

Fiscal period / call date	Speaker	Verbatim excerpt	Topic	Modeling interpretation
Q3 2025 / 2025-11-04	Jayshree Ullal, CEO	“The demand and scale of AI build-outs is clearly unprecedented”	AI demand	Supports above-market growth but not a unit or backlog estimate
Q3 2025 / 2025-11-04	Chantelle Breithaupt, CFO	“We anticipate operating margin of roughly 48%”	FY2025 non-GAAP margin	Do not substitute for GAAP Income from operations
Q4 2025 / 2026-02-12	Jayshree Ullal, CEO	“we surpassed 150 million cumulative ports of shipments”	Scale / installed base	Cumulative ports are not period units sold
Q4 2025 / 2026-02-12	Chantelle Breithaupt, CFO	“raise our 2026 fiscal year outlook to 25% revenue growth”	FY2026 outlook	Superseded by later Q1 and Q2 guidance

Fiscal period / call date	Speaker	Verbatim excerpt	Topic	Modeling interpretation
Q1 2026 / 2026-05-05	Jayshree Ullal, CEO	“Our demand is actually the best I've ever seen”	Demand / supply	Demand exceeds supply; do not relabel purchase commitments as orders
Q1 2026 / 2026-05-05	Chantelle Breithaupt, CFO	“We maintain our 2026 campus revenue goal of $1.25 billion”	Campus	Management KPI, not GAAP product disclosure
Q2 2026 / 2026-08-04	Jayshree Ullal, CEO	“now exceeds 100 cumulative customers”	AI fabrics adoption	Customer count is cumulative, not annual additions
Q2 2026 / 2026-08-04	Chantelle Breithaupt, CFO	“raising our 2026 fiscal year outlook to 40% revenue growth”	FY2026 outlook	Latest management growth anchor at cutoff

The official [2025 Analyst Day event page](https://investors.arista.com/Events/Events/Event-Details/2025/Analyst-Day/default.aspx) was checked live and confirms the 2025-09-11 date, but it exposes a webcast rather than a written transcript. No purported verbatim Analyst Day quote is fabricated. The Q3 2025 call explicitly recaps the Analyst Day targets and supplies the source-bound forward figures retained here.

Latest Q2 guidance was approximately $12.6 billion FY2026 revenue, at least $3.5 billion AI fabrics revenue, at least $1.25 billion campus revenue, 62%-64% non-GAAP gross margin, 48%-49% non-GAAP operating margin and a 21.5% expected tax rate. Q3 guidance was about $3.3 billion revenue, approximately 63% non-GAAP gross margin, 48%-49% non-GAAP operating margin, $1.06-$1.08 non-GAAP diluted EPS and about 1.279 billion diluted shares. S must keep this non-GAAP guidance distinct from the sealed GAAP bridge.

6a. Source-bound equity-award and common-share schedule

Denominator separation

Measure	Value (M)	Date / period	Classification	Permitted downstream use
Common shares issued and outstanding	1,261.2	2026-06-30 instant	Reported point-in-time common stock	Opening common-share claim for roll-forward
Basic weighted-average shares	1,260.1	Q2 2026	Reported EPS flow denominator	Q2 EPS only
Weighted employee-award dilution	15.9	Q2 2026	Reported aggregate treasury-stock-method effect	Cross-check aggregate award dilution
Diluted weighted-average shares	1,276.0	Q2 2026	Reported EPS flow denominator	Reconciles 1,260.1 + 15.9
Basic weighted-average shares	1,258.9	H1 2026	Reported EPS flow denominator	H1 EPS only
Weighted employee-award dilution	16.0	H1 2026	Reported aggregate treasury-stock-method effect	Cross-check aggregate award dilution
Diluted weighted-average shares	1,274.9	H1 2026	Reported EPS flow denominator	Reconciles 1,258.9 + 16.0; sealed quote-packet denominator
Antidilutive employee awards excluded	0.4	H1 2026	Reported weighted common-stock equivalents	Scenario sensitivity; not automatically dilutive
Unvested RSUs	24.6	2026-06-30 instant	Reported gross award stock	Instrument inventory; never add 1:1 to a weighted denominator

The 1,261.2 million point-in-time common shares, 1,274.9 million H1 diluted weighted-average shares, 1,276.0 million Q2 diluted weighted-average shares and 24.6 million unvested RSUs are four different measures. Any model that adds them together is invalid.

Instrument inventory and activity

Instrument / activity	Opening	Grants / additions	Exercise, vesting or issuance	Forfeiture / cancellation / withholding	Closing / latest fact	Source status
RSUs, H1 2026 shares (M)	28.1	1.4 at $139.92 grant-date FV	(4.2) vested at $52.99 grant-date FV	(0.7) forfeited/canceled at $65.93	24.6 at $77.36 weighted grant-date FV	Reported, Q2 10-Q Note 6; 28.1 + 1.4 - 4.2 - 0.7 = 24.6

Instrument / activity	Opening	Grants / additions	Exercise, vesting or issuance	Forfeiture / cancellation / withholding	Closing / latest fact	Source status
Stock options, FY2025 shares (M)	3.1 at FY2024	0.0 granted	(2.2) exercised at $4.10 weighted exercise price	(0.1) canceled at $14.70	0.8 outstanding and exercisable at $12.93; 2.7-year life; $93.3M intrinsic value	Reported, FY2025 10-K Note 6
Stock options, H1 2026 shares (M)	True non-disclosure	True non-disclosure	True non-disclosure	True non-disclosure	True non-disclosure	Q2 10-Q Note 6 and equity/cash-flow statements searched; no option roll-forward
ESPP, FY2025 shares (M)	n/a	Payroll purchase rights	0.7 issued at $67.27 average purchase price	n/a	104.1 shares reserved/available at FY2025	Reported, FY2025 10-K Note 6
ESPP, H1 2026 shares/proceeds	True non-disclosure	True non-disclosure	True non-disclosure	True non-disclosure	True non-disclosure	Q2 10-Q Note 6 and equity/cash-flow statements searched; no separate ESPP line
Aggregate employee-plan common shares, H1 2026 (M)	1,256.5 common stock	n/a	4.9 gross issued	(0.2) withheld for net settlement	1,261.2 common stock	Reported aggregate, Q2 10-Q equity statement
Aggregate employee-plan common shares, Q2 2026 (M)	1,259.2 common stock	n/a	2.0 gross issued	0.0 share reduction shown	1,261.2 common stock	Reported aggregate, Q2 10-Q equity statement

The H1/Q2 filing does not allocate gross issuance among vested RSUs, option exercises and ESPP purchases. It also does not disclose how many vested RSUs were delivered before or after net settlement. Those are `True non-disclosure`, not estimates. The 4.2 million RSUs vested is award activity, while 4.9 million aggregate shares issued is direct-equity activity across all employee plans; the two are not interchangeable.

Cash, repurchase, treasury and direct-equity movements

Direct-equity line	Q2 2026	H1 2026	Reported treatment / identity
Opening common shares (M)	1,259.2	1,256.5	Point-in-time stockholders' equity statement
Gross employee-plan shares issued (M)	2.0	4.9	Aggregate; instrument allocation True non-disclosure
Shares withheld for net settlement (M)	0.0	(0.2)	Aggregate direct-equity share reduction
Repurchased shares (M)	0.0	0.0	No H1 2026 repurchases
Closing common shares (M)	1,261.2	1,261.2	Exact share bridge
Cash proceeds from employee plans ($M)	3.5	33.4	Aggregate; option/ESPP/RSU allocation True non-disclosure
Tax withholding cash outflow ($M)	(5.0)	(31.2)	Financing/direct-equity cash flow
Stock-based compensation to APIC ($M)	120.4	241.3	Noncash compensation; not an instrument quantity
Opening APIC ($M)	3,036.4	2,911.8	Stockholders' equity statement
Closing APIC ($M)	3,155.3	3,155.3	Q2: 3,036.4 + 120.4 + 3.5 - 5.0; H1: 2,911.8 + 241.3 + 33.4 - 31.2
Repurchase cash / equity reduction ($M)	0.0	0.0	$817.9M authorization remained; authorization is not a claim offset
Treasury stock	0.0	0.0	Repurchased shares are retired; no treasury-stock balance

FY2025 context: 11.6 million employee-plan shares were issued, 0.5 million shares were withheld, and 15.9 million shares were repurchased and retired. Employee-plan proceeds were $57.7 million; APIC increased by $439.2 million of SBC and $57.7 million of proceeds, then fell $50.5 million for withholding. Repurchases reduced retained earnings by $1,607.3 million; cash paid in the cash-flow statement was $1,603.1 million because the equity amount includes the excise-tax treatment. FY2025 average repurchase price was $100.63, excluding the 1% excise tax. No dividends were paid.

Opening-claim schedule for an instrument-level Bear/Base/Bull roll-forward

Required S field	Source-bound opening fact	Scenario assumption S must supply	Mandatory control
Opening common-share stock	1,261.2M at 2026-06-30	None	Use point-in-time stock, not H1 weighted shares
Opening unvested RSUs	24.6M at $77.36 weighted grant-date FV	Future grants, vesting timing, forfeitures, settlement ratio and net withholding	Reconcile award stock each year; do not derive from SBC expense
Options	0.8M at $12.93 only at 2025-12-31; H1 current count True non-disclosure	Make an explicit current-opening assumption, plus exercises, expiries and cash proceeds; the dated 0.8M is a historical reference, not an H1 upper bound because H1 grants/exercises/expiries are undisclosed	Label and sensitivity-test the assumption; do not present the dated quantity or a 0.0-0.8M interval as a current fact
ESPP	FY2025 issuance 0.7M at $67.27; H1 quantity True non-disclosure	Enrollment/purchase cadence, issue price and cash proceeds	Label assumption; avoid allocating H1 aggregate proceeds as fact
Observed award dilution	Q2 15.9M; H1 16.0M; H1 antidilutive 0.4M	Future treasury-stock-method effect by instrument and price	Historical aggregate is a cross-check, not an added stock claim
Employee-plan proceeds	H1 $33.4M aggregate	Instrument allocation and future proceeds	Include option/ESPP proceeds in treasury-stock-method or cash bridge exactly once
Tax withholding	H1 $31.2M cash and 0.2M shares	Future withholding rate / share settlement	Reduce shares and APIC/cash consistently; no double count
Repurchases	H1 zero; $817.9M authorized	Scenario dollars, timing and price	Authorization is not an obligation; retire shares and reduce retained earnings
Future plan capacity	45.0M Equity Plan and 104.1M ESPP available at FY2025	Future usage	Availability is not an outstanding claim
Preferred / convertibles / warrants	No preferred issued; no debt; no such outstanding claim found in controlling filings	None unless later evidence appears	Do not invent a zero-cost hedge against award dilution

Downstream S must publish separately for each scenario: opening shares; RSU opening/grants/vests/forfeitures/net withholding/closing; option opening/exercises/expiries/closing and proceeds; ESPP issuance and proceeds; other employee-plan issuance; repurchased shares; ending common shares; period-weighting; and final diluted shares. It must reconcile point-in-time shares to the weighted EPS denominator and prove the 15.9/16.0 million historical treasury-stock effect is not double counted with the 24.6 million gross RSU inventory.

7. Capital allocation history

Year	Capex ($B)	Capex / revenue (%)	R&D ($B)	R&D / revenue (%)	Buybacks ($B)	Dividends ($B)	M&A cash ($B)	Source
FY2021	0.065	2.2	0.587	19.9	0.412	0.000	0.020	Fresh FMP annual statements
FY2022	0.045	1.0	0.728	16.6	0.670	0.000	0.145	Fresh FMP annual statements
FY2023	0.034	0.6	0.855	14.6	0.112	0.000	0.000	Fresh FMP annual statements
FY2024	0.032	0.5	0.997	14.2	0.424	0.000	0.000	Fresh FMP annual statements
FY2025	0.120	1.3	1.237	13.7	1.603	0.000	0.300	Fresh FMP annual statements; 10-K repurchase and VeloCloud notes

Capex is shown as a positive use of cash; FMP stores it as a negative cash-flow line. M&A cash is cash paid and does not include stock awards or internal R&D. Arista has never paid a cash dividend and did not expect to do so at the cutoff. The May 2025 $1.5 billion repurchase program had $817.9 million remaining at Q2 2026, but no H1 2026 purchases occurred.

8. Balance-sheet snapshot

Item	FY2025 ($B)	Q2 2026 ($B)	Source / treatment
Cash and equivalents	1.964	2.290	Fresh FMP balance sheets; SEC tie
Short-term marketable securities	8.779	11.053	Fresh FMP balance sheets; SEC tie

Item	FY2025 ($B)	Q2 2026 ($B)	Source / treatment
Cash plus securities	10.743	13.343	Calculated
Inventory	2.247	2.535	Fresh FMP balance sheets; official filings tie
Inventory days	230.1	215.0 TTM	Calculated from average inventory / cost of revenue; TTM ending 2026-06-30
Total debt	0.000	0.000	Fresh FMP and SEC
Net debt / (net cash)	(10.743)	(13.343)	Cash plus securities less debt
Net debt / EBITDA	n.m.	n.m.	Net cash; leverage ratio not meaningful
Goodwill	0.416	0.416	Official filings
Acquisition-related intangibles, net	0.289	0.258	Official VeloCloud note; FMP's zero intangible field is not used
Goodwill plus intangibles	0.705	0.674	Calculated
Stockholders' equity	12.371	14.798	Official filings / fresh FMP tie
Tangible book value	11.666	14.123	Equity less goodwill and acquisition intangibles
Deposits securing purchase commitments	0.053	0.124	Official filings; recorded in assets and not netted from the gross purchase-commitment schedule without a source-specific application
Operating lease payment obligations	0.091	No updated schedule disclosed	FY2025 10-K; $0.022B payable within 12 months; contractual operating claim, not debt, and not additive to recognized balance-sheet liabilities

Q2 total performance obligations were $8.4 billion, with approximately 91% expected in the next two years. This includes deferred revenue and other obligations; it is not called backlog and must not be added again to deferred revenue as a separate claim. Non-cancellable purchase commitments were $9.7 billion, with $9.4 billion expected within twelve months. These are supplier commitments, not customer orders. The $124.4 million of related supplier deposits is an asset-side amount and is not automatically an offset to the gross commitment.

9. Recent corporate actions

- 2026-08-04: Q2 results raised FY2026 revenue-growth guidance to 40%, or about $12.6 billion, and raised the operating-margin target to 48%-49% on a non-GAAP basis. Source: SEC Q2 earnings exhibit and fresh Q2 transcript.
- 2026-08-04: Management maintained at least $1.25 billion campus revenue and at least $3.5 billion AI fabrics revenue goals. These are management KPIs, not separately audited GAAP product lines.
- H1 2026: no common-stock repurchases; $817.9 million remained authorized. Point-in-time common shares increased from 1,256.5 million to 1,261.2 million through aggregate employee-plan issuance net of withholding.
- H1 2026: purchase commitments increased to $9.7 billion as management secured supply for AI product ramps; this raises working-capital and obsolescence risk and is not evidence of equivalent revenue backlog.
- 2026-05-05: Q1 call raised FY2026 revenue outlook to about $11.5 billion and AI goal to $3.5 billion; the later Q2 guide supersedes the revenue figure.
- FY2025 / continuing into 2026: VeloCloud integration contributed acquired technology, customer relationships and trade-name intangibles. No new acquisition closed in H1 2026 in the controlling 10-Q.

10. Open data gaps and source-search evidence

Gap	Classification	Sources and exact searches	Downstream treatment
Current option quantity at 2026-06-30	True non-disclosure	Q2 2026 10-Q Note 6, equity statement and cash-flow statement; `stock options`, `options exercised`, `outstanding options`	S must make and sensitivity-test an explicit current-opening assumption; FY2025's 0.8M is a dated reference, not a current upper bound

Gap	Classification	Sources and exact searches	Downstream treatment
H1/Q2 option exercises by shares and proceeds	True non-disclosure	Same Q2 sources; `exercise`, `issuance`, `proceeds`	Keep H1 4.9M shares and $33.4M proceeds aggregate
H1/Q2 ESPP issuance, price and proceeds	True non-disclosure	Q2 10-Q Note 6 and cash flow; ESPP, `employee stock purchase`, `purchase price`, `proceeds`	Scenario assumption; no allocation from aggregate cash
H1 employee-plan issuance split among RSUs/options/ESPP	True non-disclosure	Q2 10-Q equity statement/Note 6; `issuance`, `vested`, `exercised`, ESPP	Preserve 4.9M aggregate separately from 4.2M RSUs vested
Q2/H1 15.9M/16.0M award dilution split by instrument	True non-disclosure	Q2 10-Q Note 7; `weighted-average effect`, `stock options`, `restricted stock units`, `employee stock purchase plan`	S must compute instrument effects; historical aggregate is validation only
$1.5B unamortized award compensation split by instrument	True non-disclosure	Q2 10-Q Note 6; `unamortized compensation`, `unvested awards`	Do not infer share quantity or instrument mix from expense
RSU settlement shares before/after withholding	True non-disclosure	Q2 10-Q Note 6 and equity statement; RSUs `vested`, `net share settlement`, `withholding`	S must make explicit settlement/withholding assumptions
Named product units, ASP, capacity utilization, book-to-bill and standardized backlog	True non-disclosure	2025 10-K, Q2 10-Q, four releases/calls; hardware checklist terms	Forecast Product revenue directly; use commitments/deferred revenue only under issuer labels
Four-quarter dollar revenue by Core, Cognitive Adjacencies, AI fabrics, campus and routing	True non-disclosure	2025 10-K and four releases/calls; category names and `revenue`	Use disclosed mix/goals as context, not fabricated historical series
Customer identity behind statutory 26%/16% concentration	True non-disclosure	2025 10-K customer-concentration note; `end customer`, `26%`, `16%`	Retain Customer A/B labels in accounting analysis
Written transcript for 2025-09-11 Analyst Day	True non-disclosure	Live official event page; `Analyst Day`, `transcript`, `presentation`, `webcast`	Use only the Q3 call's explicit recap; do not invent an event quote

There are no `Not fetched / omitted` material tables identified by the hardware or equity-award inventory. The gap classification is complete for the valuation perimeter. The sealed statutory bridge has no open item.

11. D-stage self-verification

- Latest-quarter headline: fresh official Q2 exhibit confirms $3.0357 billion revenue and 37.7% year-over-year growth for the one reportable segment.
- Management quote: fresh FMP Q1 transcript dated 2026-05-05 contains the quoted demand statement; date matches the expected call window.
- Latest full fiscal year: fresh FMP annual income endpoint reports FY2025 revenue of $9.0057 billion, exactly tying the official 10-K.
- Share bases: 1,261.2 million point-in-time shares, 1,274.9 million H1 diluted weighted shares, 1,276.0 million Q2 diluted weighted shares and 24.6 million unvested RSUs remain separately labeled.
- Direct equity: Q2 and H1 share/APIC bridges tie exactly. No quantity is inferred from SBC expense or assumed price.
- Statutory bridge: FY2025 and TTM labels, values and signs reproduce sealed packet SHA-256 `f473d89ca10e244c636d5f0b7fc05b96d8f2b7d11a93f2353bff68eee7ba6776`.
- Evidence freshness: all 16 FMP datasets, four FMP transcripts, four SEC filings and the Q2 SEC earnings exhibit used by this refresh were fetched live on 2026-08-19 and archived under `raw/d_refresh_20260819`; prior and warehouse files were not used as evidence.