Arista Networks

NYSE: ANET · CLOUD NETWORKING

RELATED FORCES: Automation & Machine-Performed Work

EXCEPTIONAL 5/5 CLASS OF 2026

SECTOR	INDUSTRY	HQ	EMPLOYEES	MARKET CAP
Technology	Computer Hardware	Santa Clara, California	5,115	$246.3bn

THE ONE-MINUTE VERSION

Arista builds the switches that move data inside large datacentres, and runs one operating system across the entire product range rather than a different one per box. That is the whole argument: a network engineer learns it once, and the software is what is actually being bought. Earnings have compounded at 35.9% for twelve years with a worst fall of 8.3%, on margins — 45.4% at the operating line — that are unusual for a company that ships physical hardware.

WHAT IS IT?

High-speed **switches for large datacentres**, all running one operating system — EOS — across the entire range.

HOW IT CREATES VALUE

The silicon is largely merchant — anyone can buy the same chips. What is being sold is the software on top and the fact that it behaves identically on every box, which is what makes a large network automatable.

THE MOAT

The switching cost is **the engineer**. A team that has built its tooling and its habits around one system does not move for a cheaper box, because the box was never the expensive part.

THE TREND SHAPING ITS MARKET

Training and serving large models moves enormous volumes of data **between** machines, not just inside them, which turns the network from plumbing into a constraint on how fast the compute can actually be used.

THE STRUCTURAL BOTTLENECK

At this scale a network is configured by code, not by hand. A single consistent operating system is what makes that possible; a different codebase per product family is what makes it painful.

THE COMPETITION — THE HONEST BIT

Revenue is concentrated in a handful of very large cloud customers who can build their own, pause a build-out, or simply negotiate. Cisco is far bigger and Nvidia now sells networking with its own compute. **Concentration is the number to watch, not the margin.**

THE FIVE STRUCTURAL TESTS — EVERY COMPANY, THE SAME FIVE

COMPOUNDING	EARNINGS QLTY	BALANCE SHEET	CAPITAL ALLOC.	PER-SHARE VAL.
PASS	PASS	PASS	PASS	PASS

TRAJECTORY · IMPROVING ↑ Revenue up 37.7% and EPS up 35.7%, against a 35.9% twelve-year CAGR — growth is running at the long-run rate rather than decaying towards it, which at this size is the unusual part.

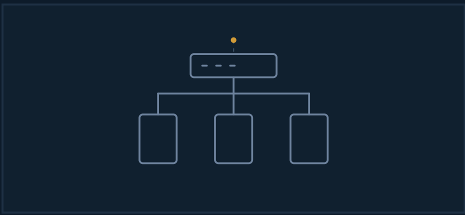
THE COMPOUNDING RECORD — SAME FIVE METRICS FOR EVERY COMPANY IN THE SERIES

EPS CAGR, 12 YRS	YEARLY COMPARISONS UP	WORST EARNINGS DRAWDOWN	NET MARGIN	DEBT POSITION
35.9%	95%	8.3%	38.4%	no debt

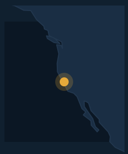
The Exceptional Company Series is where The Conviction Play profiles the small number of businesses whose economics we judge genuinely exceptional — companies that pass all five of our structural tests and have compounded earnings through a full cycle. The premise is simple: **conviction is built on business quality and an enduring competitive advantage**, not on a price forecast. We publish what the moat is, how it is defended, and what would change our mind — dated. What we never publish is a price target.

— EXPLORE	— ARCHIVE	— SUBSCRIBE
The seven forces & twenty-two themes	Every company profile to date	convictionplay.substack.com

Not a buy signal — exceptional can also be expensive, and capital is at risk. What this is and what it is not, overleaf.



HEAD OFFICE



Santa Clara, California, United States

Technology · Computer Hardware

OPERATING MARGIN	45.4%
REVENUE GROWTH	+37.7%
EPS GROWTH	+35.7%
TOTAL DEBT	none
WEBSITE	arista.com
INVESTOR RELATIONS	IR site

THE CONVICTION WHEEL

COMPOUNDING
Revenue +37.7%, EPS +35.7%

EARNINGS QLTY
Net margin 38.4%

BALANCE SHEET
No debt, $2.8bn cash

CAPITAL ALLOC.
Cash retained and reinvested

PER-SHARE VAL.
EPS $0.11 to $3.46 in twelve years

PEER GROUP — DATACENTRE NETWORKING

ANET · profiled | CSCO Cisco | JNPR Juniper | NVDA Nvidia · networking

WHY THE ECONOMICS ARE EXCEPTIONAL

One operating system, every box. Arista runs a single software image across its range, where the industry norm has been a different codebase per product family. The switching hardware is largely merchant silicon anyone can buy; what a customer is paying for is the software on top of it and the fact that it behaves the same everywhere.

The switching cost is the engineer. A network team that has built its automation and its habits around one operating system does not move for a cheaper box, because the box was never the expensive part.

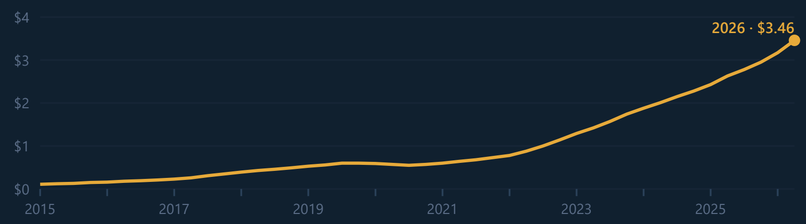
Hardware margins that do not look like hardware. Operating margin of 45.4% and net margin of 38.4%, with no debt at all, is a software company's financial shape attached to a business that ships metal.

The honest risk, and it is the large one. Arista's revenue is concentrated in a small number of very large cloud customers, and the current demand for AI infrastructure is the engine underneath the recent growth. Concentrated customers can build their own, delay a build-out, or simply negotiate; that is the number to watch rather than the margin.

Share price, twelve years of monthly closes — **the same window as the earnings chart below, so the two can be read against each other.**

Not a valuation. Marker = date profiled. Refreshes quarterly.

Trailing twelve-month EPS, twelve years of quarterly data.



42 year-on-year comparisons in twelve years. Ninety-five per cent of them up, with a worst fall of 8.3 per cent.

WHAT THIS IS, AND WHAT IT IS NOT

An assessment of business quality — how durable the economics are, and how consistently they have become earnings. Produced by Legend, our rules-based framework, applied identically to every company.

Not a buy signal. Not a valuation, price target, forecast or recommendation, and no view on the share price. Exceptional can also be expensive: this company fell 32% from its September 2014 high and took 26 months to regain that price, while its earnings kept rising. Capital is at risk.

WHERE TO READ MORE — NOT BY US

Mauboussin, *Measuring the Moat* (Morgan Stanley) — how to judge a competitive advantage rather than assert one. Free. · **Thorndike, *The Outsiders*** — capital allocation as the job. · **Berkshire shareholder letters** — free at berkshirehathaway.com.

Company facts and financial data: Legend, from company filings and market data, as at 28 August 2026.
Structural assessment computed by Legend from reported earnings history. A point-in-time snapshot

Scan for the full profile, the charts and the audio