

SIKULI CAPITAL

Conviction through contrarian research

Arista Networks (ANET)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | Cloud + AI data center networking

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$142	~\$150	\$100 - \$200
May 2026	Bull 25% / Base 50% / Bear 25%	Approximately fair

Verdict: ANET delivered Q1 2026 revenue of \$2.71B (+35% YoY)^[1] and raised FY26 guidance to \$11.5B (+27.7%) with \$3.5B AI fabric target — doubling AI sales YoY^[2]. At 39x forward P/E, valuation is rich but supported by hyperscaler AI capex tailwind. The structural moat (EOS software, cloud-native customers) is the highest-quality in datacenter networking. Bull case requires sustained AI infra spend; bear case reflects multiple compression on any growth deceleration.

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	\$141.97	5/15/26 ^[3]
Q1 2026 revenue	\$2.71B (+35%)	^[1]
Q1 2026 EPS	\$0.87	vs cons \$0.82 ^[1]
FY26 revenue target	\$11.5B (+27.7%)	Raised ^[2]
FY26 AI fabric target	\$3.5B	Doubled YoY ^[2]
Forward P/E	39.3x	Trailing 48x ^[4]

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
Bull (25%)	AI fabric beats \$4B, multi-year hyperscaler design wins, 50x forward P/E	\$200
Base (50%)	Hit FY26 target, AI fabric scales, multiple stays 38x	\$150
Bear (25%)	AI capex digestion, multiple compresses to 28x forward P/E	\$100
Probability-	<i>AI infra leader; valuation full but supported by execution.</i>	~\$150

Scenario (weight)	Assumptions	Fair Value
weighted		

Key Risks

- **Hyperscaler concentration:** Top 3 customers ~50%+ of revenue; AI capex pause hits ANET directly.
- **Whitebox competition:** Hyperscalers experiment with in-house designs; share could erode.
- **Supply chain:** Component lead times and pricing impact margins.
- **Cisco competition:** Reinvigorated AI networking offering challenges enterprise share.

What Would Change Our View

- **Upside:** Q2 beat, AI fabric guide raise, large new design win.
- **Downside:** Hyperscaler capex pause, margin compression, customer loss.

Sources

[1] <https://www.sec.gov/Archives/edgar/data/0001596532/000159653226000074/ex991q126-earningsrelease.htm>

[2] <https://seekingalpha.com/news/4586520-arista-outlines-27-7-percent-2026-revenue-growth-to-11-5b-while-targeting-3-5b-in-ai-fabric>

[3] <https://finance.yahoo.com/quote/ANET/>

[4] <https://www.gurufocus.com/term/forward-pe-ratio/ANET>

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