



FEATURED OPTIONS RADAR REPORT



Arista Networks Bull Positions for New Highs, Continued Strength

Ticker/Price: ANET (\$332)

Analysis:

Arista Networks (ANET) on 5/21 with a large trade that bought 500 January 2022 \$410 calls to open for \$12.80, the first notable trade in the name in 2021. ANET has been an impressive mover in 2021 with shares +14.3% and last week breaking out above the 2019 record highs. The current range breakout has a measured move target up to \$380 while a 138.2% Fibonacci extension of the 2019/2020 range targets near \$400. ANET pioneered software-driven, cognitive cloud networking for large-scale data center and campus workspace environments. Its cloud networking solutions consist of Extensible Operating System, a set of network applications and its Ethernet switching and routing platforms. Its cloud networking solutions deliver industry-leading performance, scalability, availability, programmability, automation and visibility. ANET competes primarily in the data center switching market for 10 Gigabit Ethernet and above, excluding blade switches. ANET expects to disrupt the campus and router incumbency of the last few decades in the next few years. ANET also has subscription software/services such as Arista A-Care, CloudVision, CloudEOS router for multi-cloud, big switch monitoring and its latest entry into advanced network detection and response with the acquisition of Awake Security. ANET is coming off a solid quarter with management calling out improving Cloud Titan visibility as well as solid trends across verticals and product lines. Management highlighted an increase of large Enterprise customers and noted accelerated customer willingness to partner with Arista instead of large Enterprise competitors. ANET noted better visibility around Cloud Titans this quarter and that customers have begun pilot programs in advance of the 400G upgrade cycle ramp expected in H2'21. ANET currently has a market cap of \$25.65B and remains attractively valued at 29X Earnings, 8X EV/Sales and 33X FCF with a debt-free balance sheet. ANET consensus forecasts see revenue growth of 19% in 2021 and 12% in 2022 with EPS rising 13.5% and 11.5% respectively. Analysts have an average target of \$350 with short interest low at 3.8% of the float. Goldman was positive after the latest quarter raising its target to \$433 as Arista gains confidence that large hyperscale network upgrades are likely in H2 of this year. JP Morgan raised its target to \$365 in February seeing ANET a key beneficiary to cloud spending acceleration. Hedge Fund ownership fell 11% in Q1 filings with Ruane Cunniff & Goldfarb one of the lone notable concentrated holders.

Hawk Vision:



Hawk's Perspective: ANET price action has been great and it remains a fundamental favorite trading at attractive valuation, a name to own through 2021.

Confidence Ranking: \$\$