

## Arista Networks

# Peer results signal a weak environment; Yet hyperscaler demand remains strong

Reiterate Rating: BUY | PO: 305.00 USD | Price: 273.10 USD

## Strong spending initiatives from Cloud and AI Titans

Arista is the only Buy-rated stock in our Networking universe. We reiterate our Buy and increase our PO from \$265 to \$305. We preview our quarter expectations below and note that while we initially expected tough comps and a challenging environment to put some pressure on near-term growth, the 2024 outlook seems more robust after recent capex commentary from Microsoft, Meta, Google, and Amazon. We therefore slightly increase our growth expectations for 4Q23 and 2024 to be more in line with Street expectations. We also note that Street expectations already consider major growth deceleration due to tough comps, with revenue growth expected to decline from 54.7% YoY in 4Q22 to 20.4% in 4Q23, 12.8% in 1Q24, and 10.5% 2Q24.

## Positive capex commentary from Microsoft and Meta

Microsoft's 2Q24 capex was lower-than-expected at \$11.5bn, but management expects a material sequential capex increase in 3Q as well as continued acceleration going forward, driven by investments in cloud and AI infrastructure. BofA Large Cap Software Analyst Brad Sills raised FY24 capex expectations by \$1bn and FY25 capex expectations by ~8bn to \$50.3bn, implying 50% and 19% capex growth in FY24 and FY25, respectively. Meta's 4Q23 capex of \$7.6bn was also lower than expected, below the Street's \$8.3bn. Yet the company raised its FY24 capex guide by \$2bn to the \$33.5bn high end of its previous range, driven by investments in AI and non-AI infrastructure as well as data centers. Meta also noted growing infrastructure investments beyond 2024.

## Street expectations are low, with comps easing in 2H24

Our research shows that a majority of Arista's outperformance is driven by Cloud and AI Titan sales, with its non-Cloud market shares flat over the last three years ([see our analysis here](#)). Overall, after growing 30.3% in 9M23, we expect the total switching market to weaken in 4Q23 and into 2024. Enterprise spending pressures and absorption of prior orders could drive negative growth in data center switching ex-Cloud and AI Titans, with Arista being exposed to the same negative industry trends. However, we expect the Cloud and AI Titan customer segment to grow in 2024, albeit at a more moderate rate vs. our estimated 2023 growth rate range of 16%-33% YoY. Overall, we model 12.1% total revenue growth in 2024, which we think is achievable vs. the 33.6% YoY growth we model for 2023. **Discussion continues on Page 3.**

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.87	4.58	6.56	7.28	8.12
GAAP EPS	2.63	4.27	5.50	3.47	3.68
EPS Change (YoY)	27.0%	59.6%	43.2%	11.0%	11.5%
Consensus EPS (Bloomberg)			6.56	7.28	8.12
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	95.2x	59.6x	41.6x	37.5x	33.6x
GAAP P/E	103.8x	64.0x	49.7x	78.7x	74.2x
EV / EBITDA*	66.7x	42.8x	30.8x	28.0x	25.0x
Free Cash Flow Yield*	1.2%	0.6%	2.1%	3.1%	3.2%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 7.

**BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 7 to 10. Analyst Certification on page 6. Price Objective Basis/Risk on page 2.**

12654322

Timestamp: 05 February 2024 01:00AM EST

05 February 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	265.00	305.00
2023E Rev (m)	5,845.8	5,854.8
2024E Rev (m)	6,493.2	6,561.9
2025E Rev (m)	7,246.8	7,407.3
2023E EPS	6.54	6.56
2024E EPS	7.16	7.28
2025E EPS	7.92	8.12

#### Tal Liani

Research Analyst

BofAS

+1 646 855 5107

[tal.liani@bofa.com](mailto:tal.liani@bofa.com)

#### Tomer Zilberman

Research Analyst

BofAS

+1 646 855 3203

[tomer.zilberman@bofa.com](mailto:tomer.zilberman@bofa.com)

#### Jonathan Eisenson

Research Analyst

BofAS

+1 646 743 0186

[jonathan.eisenson@bofa.com](mailto:jonathan.eisenson@bofa.com)

#### Madeline Brooks

Research Analyst

BofAS

+1 646 855 1971

[madeline.brooks@bofa.com](mailto:madeline.brooks@bofa.com)

### Stock Data

Price	273.10 USD
Price Objective	305.00 USD
Date Established	5-Feb-2024
Investment Opinion	B-1-9
52-Week Range	129.01 USD - 272.90 USD
Mkt Val (mn) / Shares Out (mn)	80,838 USD / 296.0
Free Float	77.7%
Average Daily Value (mn)	434.80 USD
BofA Ticker / Exchange	ANET / NYS
Bloomberg / Reuters	ANET US / ANET.N
ROE (2023E)	35.1%
Net Dbt to Eqty (Dec-2022A)	-13.7%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

# iQprofile<sup>SM</sup> Arista Networks

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	21.2%	27.8%	29.8%	25.3%	22.6%
Return on Equity	25.1%	32.7%	35.1%	29.3%	26.2%
Operating Margin	38.7%	41.0%	43.0%	42.9%	42.7%
Free Cash Flow	951	448	1,729	2,499	2,607

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.1x	0.3x	0.8x	1.1x	1.0x
Asset Replacement Ratio	1.3x	0.7x	0.6x	2.4x	2.7x
Tax Rate	20.2%	21.8%	21.9%	21.5%	21.5%
Net Debt-to-Equity Ratio	-15.6%	-13.7%	-29.4%	-53.4%	-68.9%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	2,948	4,381	5,855	6,562	7,407
% Change	27.2%	48.6%	33.6%	12.1%	12.9%
Gross Profit	1,910	2,711	3,628	4,137	4,665
% Change	26.9%	41.9%	33.8%	14.0%	12.8%
EBITDA	1,191	1,859	2,580	2,834	3,177
% Change	29.6%	56.1%	38.8%	9.8%	12.1%
Net Interest & Other Income	6	55	147	146	158
<b>Net Income (Adjusted)</b>	<b>915</b>	<b>1,448</b>	<b>2,082</b>	<b>2,324</b>	<b>2,604</b>
<b>% Change</b>	<b>27.4%</b>	<b>58.3%</b>	<b>43.7%</b>	<b>11.7%</b>	<b>12.1%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	839	1,351	1,744	1,109	1,180
Depreciation & Amortization	50	63	61	19	18
Change in Working Capital	(7)	(913)	(146)	804	738
Deferred Taxation Charge	(99)	(244)	(217)	0	0
Other Adjustments, Net	232	236	327	613	719
Capital Expenditure	(65)	(45)	(40)	(46)	(48)
<b>Free Cash Flow</b>	<b>951</b>	<b>448</b>	<b>1,729</b>	<b>2,499</b>	<b>2,607</b>
<b>% Change</b>	<b>32.1%</b>	<b>-52.9%</b>	<b>285.9%</b>	<b>44.5%</b>	<b>4.3%</b>
Share / Issue Repurchase	67	48	100	205	240
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	621	672	2,046	4,750	7,597
Trade Receivables	517	923	848	847	963
Other Current Assets	3,675	3,956	5,269	5,061	4,833
Property, Plant & Equipment	79	95	110	141	174
Other Non-Current Assets	843	1,130	1,310	1,307	1,303
<b>Total Assets</b>	<b>5,734</b>	<b>6,775</b>	<b>9,583</b>	<b>12,105</b>	<b>14,870</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	1,110	1,294	1,883	2,307	2,762
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	589	552	689	861	1,032
<b>Total Liabilities</b>	<b>1,756</b>	<b>1,890</b>	<b>2,620</b>	<b>3,216</b>	<b>3,842</b>
<b>Total Equity</b>	<b>3,979</b>	<b>4,886</b>	<b>6,963</b>	<b>8,889</b>	<b>11,028</b>
<b>Total Equity &amp; Liabilities</b>	<b>5,734</b>	<b>6,775</b>	<b>9,583</b>	<b>12,105</b>	<b>14,870</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

## Company Sector

Data Networking

## Company Description

Arista Networks develops high-performance cloud networking solutions, including switches, routers, Wi-Fi software. The company's low latency switches lower networking costs for high-frequency trading platforms, large internet companies and cloud service providers.

## Investment Rationale

We have a Buy rating on ANET given strong momentum expected in 2023 with Cloud and AI Titan commentary pointing to continued infrastructure spending, accelerating growth in enterprise, financials, tier-2 cloud providers, and other key verticals, as well as analysis of the 2023 earnings power. We remain positive on management's ability to execute, the company's technological differentiation, product positioning, and its TAM growing to \$47bn by 2025.

## Stock Data

Average Daily Volume 1,592,106

## Quarterly Earnings Estimates

	2022	2023
Q1	0.84A	1.43A
Q2	1.08A	1.58A
Q3	1.25A	1.83A
Q4	1.41A	1.71E

## Arista is a net beneficiary of hyperscaler switching trends

Within the data center (DC) switching market, we expect the Hyperscaler segment to grow 35.1% YoY in 2024, while the rest of the DC switching market (total DC switching ex-hyperscaler) is expected to decline 11.4%. Key drivers for hyperscaler growth include 400G deployments and AI/ML (artificial intelligence/machine learning) infrastructure buildout, two overlapping growth drivers.

We flag strong demand for hyperscaler 400G switching, a market dominated by Arista and White Box Vendors. 400G revenue is expected to grow 27.6% YoY in 4Q23, accounting for 18.9% of the total DC switching market, per Omdia. Of that, Hyperscalers are expected to account for 70%. As of 3Q23, Arista held the strongest market share of the hyperscaler 400G switching market, at 49%. White Box Vendors, which mostly reflect purchases from Amazon and Google, held 42% share, while Cisco and Juniper held only negligible shares.

Additionally, IDC forecasts that generative AI (genAI) data center switching will grow 109.9% YoY in 2024, to a ~7% contribution to total DC switching. Hyperscalers are a significant portion of the genAI DC switching opportunity, expected to account for ~82% of genAI DC switching share in 2023. As such, we believe that Arista's share leadership in hyperscaler 400G switching positions the company as a net beneficiary of the significant growth rates in genAI DC switching over the next few years.

## Networking peer results signal weakness, limited to ANET

On lateral read-through, Juniper's Cloud vertical declined 16.6% YoY in 4Q23, driven by Cloud providers going through a period of inventory consumption of previously placed orders. Both Microsoft and Meta's 4Q capex was reported lower than expected, which likely explains Juniper's trends. While we flag the risk, the exposures are different, with Juniper mostly centered on Routing and the WAN (Wide Area Network) portion of the network, while Arista is more centered inside the data centers, particularly around switching. To put it in perspective, Arista held 44.7% share of the hyperscaler DC switching market in 3Q23, while Juniper only held 1.9%. As such, we believe quarter expectations are adequate and are supported by backlog and historical orders. As noted, Street expectations for 2024 are already low, and together with recent commentary by Cloud and AI Titans on their intentions to maintain strong network spending, we believe Arista's Street targets for 2024 are achievable.

On the non-Cloud and AI Titans, the underlying trends across networking peers remain weak, as evidenced by recent quarter results across [F5](#), [Juniper](#) (see links to quarter review notes), Extreme Networks, and Calix. Enterprise, Service Providers, and Tier-2 Cloud demand remains pressured, as these customer verticals are going through a period of lower spending and inventory digestion, coupled with the high interest rate environment also putting a pause on investments. We expect the weakness to linger throughout 2024, especially in 1H24. Anecdotally, we believe this should have negative implications for Cisco and Juniper, with Arista's impact partially mitigated through its high Cloud and AI Titan exposure.



# Financial Highlights

## Exhibit 1: BofA Estimates vs. Street Estimates

Updated BofA estimates are more in-line with Street estimates

	4Q23E					FY24E					FY25E				
	BofA	Bloomberg	%Diff	Visible Alpha	%Diff	BofA	Bloomberg	%Diff	Visible Alpha	%Diff	BofA	Bloomberg	%Diff	Visible Alpha	%Diff
Total revenue	\$1,535.1	\$1,535.2	0.0%	\$1,528.3	0.4%	\$6,561.9	\$6,561.8	0.0%	\$6,545.9	0.2%	\$7,407.3	\$7,413.2	-0.1%	\$7,371.4	0.5%
Gross profit	\$968.5	\$968.1	0.0%	\$962.5	0.6%	\$4,136.9	\$4,132.9	0.1%	\$4,119.4	0.4%	\$4,665.1	\$4,676.6	-0.2%	\$4,639.5	0.6%
Income from operations	\$659.3	\$658.5	0.1%	\$655.2	0.6%	\$2,814.4	\$2,812.9	0.1%	\$2,803.3	0.4%	\$3,159.4	\$3,176.6	-0.5%	\$3,147.3	0.4%
Net income	\$546.4	\$544.7	0.3%	\$543.0	0.6%	\$2,324.1	\$2,320.7	0.1%	\$2,327.2	-0.1%	\$2,604.3	\$2,595.6	0.3%	\$2,612.5	-0.3%
EPS	\$1.71	\$1.71	0.1%	\$1.71	0.5%	\$7.28	\$7.28	0.0%	\$7.27	0.0%	\$8.12	\$8.12	0.0%	\$8.12	0.0%

Source: BofA Global Research estimates, Bloomberg, Visible Alpha

BofA GLOBAL RESEARCH

## Exhibit 2: Summary of Model Changes

We increase our estimates to reflect Arista's share leadership in hyperscaler DC switching

	Sales			EPS			Gross Margin			Operating Margin		
	Old	New	Delta	Old	New	Delta	Old	New	Delta	Old	New	Delta
<b>2023</b>												
Q1	\$1,351.4	\$1,351.4	\$0.0	\$1.43	\$1.43	\$0.00	60.3%	60.3%	0 bps	41.2%	41.2%	0 bps
Q2	\$1,458.9	\$1,458.9	\$0.0	\$1.58	\$1.58	\$0.00	61.3%	61.3%	0 bps	41.6%	41.6%	0 bps
Q3	\$1,509.5	\$1,509.5	\$0.0	\$1.83	\$1.83	\$0.00	63.1%	63.1%	0 bps	46.1%	46.1%	0 bps
Q4E	\$1,526.1	\$1,535.1	\$9.1	\$1.69	\$1.71	\$0.02	63.1%	63.1%	0 bps	42.6%	42.9%	39 bps
<b>Total</b>	<b>\$5,845.8</b>	<b>\$5,854.8</b>	<b>\$9.1</b>	<b>\$6.54</b>	<b>\$6.56</b>	<b>\$0.02</b>	<b>62.0%</b>	<b>62.0%</b>	<b>0 bps</b>	<b>42.9%</b>	<b>43.0%</b>	<b>10 bps</b>
<b>2024</b>												
Q1E	\$1,507.7	\$1,524.4	\$16.6	\$1.64	\$1.67	\$0.03	62.5%	62.8%	32 bps	41.7%	42.1%	35 bps
Q2E	\$1,598.2	\$1,612.8	\$14.6	\$1.75	\$1.78	\$0.03	62.7%	62.9%	23 bps	42.3%	42.7%	41 bps
Q3E	\$1,666.9	\$1,683.7	\$16.8	\$1.86	\$1.88	\$0.02	63.0%	63.1%	8 bps	42.8%	43.2%	41 bps
Q4E	\$1,720.3	\$1,741.0	\$20.7	\$1.91	\$1.94	\$0.03	63.2%	63.4%	16 bps	43.0%	43.5%	53 bps
<b>Total</b>	<b>\$6,493.2</b>	<b>\$6,561.9</b>	<b>\$68.7</b>	<b>\$7.16</b>	<b>\$7.28</b>	<b>\$0.12</b>	<b>62.8%</b>	<b>63.0%</b>	<b>19 bps</b>	<b>42.5%</b>	<b>42.9%</b>	<b>43 bps</b>
<b>2025</b>												
Q1E	\$1,687.6	\$1,718.4	\$30.8	\$1.83	\$1.87	\$0.04	62.6%	62.7%	13 bps	41.8%	42.3%	50 bps
Q2E	\$1,780.4	\$1,811.2	\$30.7	\$1.93	\$1.97	\$0.04	62.7%	62.9%	26 bps	42.0%	42.4%	42 bps
Q3E	\$1,858.7	\$1,898.1	\$39.3	\$2.05	\$2.10	\$0.05	62.9%	63.1%	19 bps	42.6%	42.9%	29 bps
Q4E	\$1,920.1	\$1,979.7	\$59.6	\$2.10	\$2.18	\$0.08	63.1%	63.2%	8 bps	42.4%	43.0%	57 bps
<b>Total</b>	<b>\$7,246.8</b>	<b>\$7,407.3</b>	<b>\$160.5</b>	<b>\$7.92</b>	<b>\$8.12</b>	<b>\$0.21</b>	<b>62.8%</b>	<b>63.0%</b>	<b>16 bps</b>	<b>42.2%</b>	<b>42.7%</b>	<b>45 bps</b>
<b>2026</b>												
Q1E	\$1,866.3	\$1,924.3	\$58.0	\$2.04	\$2.13	\$0.08	62.6%	62.8%	26 bps	42.2%	42.9%	74 bps
Q2E	\$1,941.0	\$2,001.2	\$60.3	\$2.11	\$2.20	\$0.09	62.6%	62.9%	26 bps	42.0%	42.7%	74 bps
Q3E	\$2,038.0	\$2,101.3	\$63.3	\$2.22	\$2.31	\$0.09	62.9%	63.1%	25 bps	42.2%	42.9%	74 bps
Q4E	\$2,137.9	\$2,204.3	\$66.4	\$2.33	\$2.42	\$0.09	63.2%	63.3%	9 bps	42.4%	43.0%	58 bps
<b>Total</b>	<b>\$7,983.2</b>	<b>\$8,231.1</b>	<b>\$247.9</b>	<b>\$8.71</b>	<b>\$9.06</b>	<b>\$0.35</b>	<b>62.8%</b>	<b>63.0%</b>	<b>21 bps</b>	<b>42.2%</b>	<b>42.9%</b>	<b>70 bps</b>

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

**Exhibit 3: Income Statement**

Summary of financials; we increase our 2024 revenue estimate to \$6,561.9mn vs. our prior estimate of \$6,493.2mn

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25					
(\$ mn, except per share)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2022	2023E	2024E	2025E	2026E
<b>Total Revenues</b>	<b>\$877.1</b>	<b>\$1,051.9</b>	<b>\$1,176.8</b>	<b>\$1,275.6</b>	<b>\$1,351.4</b>	<b>\$1,458.9</b>	<b>\$1,509.5</b>	<b>\$1,535.1</b>	<b>\$1,524.4</b>	<b>\$1,612.8</b>	<b>\$1,683.7</b>	<b>\$1,741.0</b>	<b>\$1,718.4</b>	<b>\$1,811.2</b>	<b>\$1,898.1</b>	<b>\$1,979.7</b>	<b>\$4,381.3</b>	<b>\$5,854.8</b>	<b>\$6,561.9</b>	<b>\$7,407.3</b>	<b>\$8,231.1</b>
YoY	31.4%	48.7%	57.2%	54.7%	54.1%	38.7%	28.3%	20.3%	12.8%	10.5%	11.5%	13.4%	12.7%	12.3%	12.7%	13.7%	48.6%	33.6%	12.1%	12.9%	11.1%
QoQ	6.4%	19.9%	11.9%	8.4%	5.9%	8.0%	3.5%	1.7%	-0.7%	5.8%	4.4%	3.4%	-1.3%	5.4%	4.8%	4.3%					
COGS	\$316.2	\$400.3	\$457.0	\$497.1	\$537.0	\$565.2	\$557.7	\$566.6	\$567.5	\$598.3	\$621.9	\$637.3	\$640.5	\$671.6	\$700.7	\$729.5	\$1,670.6	\$2,226.5	\$2,425.0	\$2,742.2	\$3,043.1
<b>Gross Profit</b>	<b>\$560.9</b>	<b>\$651.6</b>	<b>\$719.8</b>	<b>\$778.5</b>	<b>\$814.3</b>	<b>\$893.8</b>	<b>\$951.8</b>	<b>\$968.5</b>	<b>\$956.9</b>	<b>\$1,014.4</b>	<b>\$1,061.9</b>	<b>\$1,103.7</b>	<b>\$1,077.9</b>	<b>\$1,139.6</b>	<b>\$1,197.4</b>	<b>\$1,250.2</b>	<b>\$2,710.8</b>	<b>\$3,628.3</b>	<b>\$4,136.9</b>	<b>\$4,665.1</b>	<b>\$5,188.0</b>
Gross Margin	63.9%	61.9%	61.2%	61.0%	60.3%	61.3%	63.1%	63.1%	62.8%	62.9%	63.1%	63.4%	62.7%	62.9%	63.1%	63.2%	61.9%	62.0%	63.0%	63.0%	63.0%
R&D	\$144.4	\$149.7	\$150.1	\$153.2	\$164.8	\$188.5	\$164.4	\$198.9	\$202.9	\$209.0	\$215.2	\$221.7	\$226.1	\$239.7	\$246.9	\$256.8	\$597.5	\$716.7	\$848.8	\$969.5	\$1,070.2
S&M	\$67.6	\$66.5	\$65.3	\$69.9	\$78.4	\$82.1	\$81.5	\$98.7	\$100.6	\$104.7	\$106.8	\$111.0	\$112.1	\$117.7	\$121.3	\$127.3	\$269.4	\$340.7	\$423.1	\$478.5	\$524.4
G&A	\$13.2	\$9.9	\$12.2	\$12.2	\$14.3	\$16.6	\$9.6	\$11.6	\$11.9	\$12.5	\$12.8	\$13.4	\$13.5	\$14.3	\$14.6	\$15.3	\$47.5	\$52.2	\$50.6	\$57.7	\$62.9
<b>Total Operating Expenses</b>	<b>\$225.3</b>	<b>\$226.1</b>	<b>\$227.7</b>	<b>\$235.3</b>	<b>\$257.5</b>	<b>\$287.3</b>	<b>\$255.6</b>	<b>\$309.2</b>	<b>\$315.4</b>	<b>\$326.1</b>	<b>\$334.9</b>	<b>\$346.1</b>	<b>\$351.8</b>	<b>\$371.8</b>	<b>\$382.8</b>	<b>\$399.4</b>	<b>\$914.4</b>	<b>\$1,109.6</b>	<b>\$1,322.5</b>	<b>\$1,505.7</b>	<b>\$1,657.5</b>
QoQ/YoY Growth	9.2%	0.4%	0.7%	3.4%	9.4%	11.5%	-11.0%	21.0%	2.0%	3.4%	2.7%	3.4%	1.6%	5.7%	3.0%	4.4%	18.9%	21.3%	19.2%	13.9%	10.1%
<b>Operating Income</b>	<b>\$335.6</b>	<b>\$425.5</b>	<b>\$492.1</b>	<b>\$543.2</b>	<b>\$556.8</b>	<b>\$606.5</b>	<b>\$696.2</b>	<b>\$659.3</b>	<b>\$641.5</b>	<b>\$688.3</b>	<b>\$727.0</b>	<b>\$757.6</b>	<b>\$726.1</b>	<b>\$767.8</b>	<b>\$814.6</b>	<b>\$850.8</b>	<b>\$1,796.4</b>	<b>\$2,518.8</b>	<b>\$2,814.4</b>	<b>\$3,159.4</b>	<b>\$3,530.6</b>
Operating Margin	38.3%	40.4%	41.8%	42.6%	41.2%	41.6%	46.1%	42.9%	42.1%	42.7%	43.2%	43.5%	42.3%	42.4%	42.9%	43.0%	41.0%	43.0%	42.9%	42.7%	42.9%
<b>Other Expense, net</b>	<b>\$31.5</b>	<b>-\$0.5</b>	<b>\$6.8</b>	<b>\$16.9</b>	<b>\$12.1</b>	<b>\$56.3</b>	<b>\$41.8</b>	<b>\$36.8</b>	<b>\$37.3</b>	<b>\$37.3</b>	<b>\$37.3</b>	<b>\$34.3</b>	<b>\$38.3</b>	<b>\$37.3</b>	<b>\$42.3</b>	<b>\$40.3</b>	<b>\$54.7</b>	<b>\$147.1</b>	<b>\$146.3</b>	<b>\$158.3</b>	<b>\$184.3</b>
Pretax Income	\$367.1	\$424.9	\$499.0	\$560.1	\$568.9	\$662.8	\$738.0	\$696.1	\$678.8	\$725.6	\$764.3	\$791.9	\$764.5	\$805.1	\$857.0	\$891.1	\$1,851.1	\$2,665.9	\$2,960.7	\$3,317.6	\$3,714.8
Taxes	-\$98.5	-\$82.3	-\$107.0	-\$115.0	-\$116.5	-\$161.6	-\$156.6	-\$149.7	-\$145.9	-\$156.0	-\$164.3	-\$170.3	-\$164.4	-\$173.1	-\$184.2	-\$191.6	-\$402.8	-\$584.4	-\$636.5	-\$713.3	-\$798.7
<b>Non GAAP Net Income</b>	<b>\$268.5</b>	<b>\$342.7</b>	<b>\$391.9</b>	<b>\$445.1</b>	<b>\$452.5</b>	<b>\$501.2</b>	<b>\$581.4</b>	<b>\$546.4</b>	<b>\$532.9</b>	<b>\$569.6</b>	<b>\$600.0</b>	<b>\$621.6</b>	<b>\$600.1</b>	<b>\$632.0</b>	<b>\$672.7</b>	<b>\$699.5</b>	<b>\$1,448.3</b>	<b>\$2,081.5</b>	<b>\$2,324.1</b>	<b>\$2,604.3</b>	<b>\$2,916.1</b>
<b>Non GAAP EPS, diluted</b>	<b>\$0.84</b>	<b>\$1.08</b>	<b>\$1.25</b>	<b>\$1.41</b>	<b>\$1.43</b>	<b>\$1.58</b>	<b>\$1.83</b>	<b>\$1.71</b>	<b>\$1.67</b>	<b>\$1.78</b>	<b>\$1.88</b>	<b>\$1.94</b>	<b>\$1.87</b>	<b>\$1.97</b>	<b>\$2.10</b>	<b>\$2.18</b>	<b>\$4.58</b>	<b>\$6.56</b>	<b>\$7.28</b>	<b>\$8.12</b>	<b>\$9.06</b>
GAAP EPS, diluted	\$0.85	\$0.94	\$1.13	\$1.35	\$1.38	\$1.55	\$1.72	\$0.85	\$0.77	\$0.85	\$0.91	\$0.94	\$0.83	\$0.88	\$0.97	\$1.00	\$4.27	\$5.50	\$3.47	\$3.68	\$3.88
Shares outstanding, basic	308,045	306,754	304,931	306,162	306,985	308,636	310,185	310,685	311,185	311,685	312,185	312,685	313,185	313,685	314,185	314,685	306,473	309,123	311,935	313,935	315,935
Shares outstanding, diluted	319,652	316,581	314,401	315,201	315,578	316,485	317,631	319,000	319,010	319,310	319,610	319,910	320,210	320,510	320,810	321,110	316,459	317,174	319,460	320,660	321,860
<b>Margin Analysis</b>																					
Gross Margin	63.9%	61.9%	61.2%	61.0%	60.3%	61.3%	63.1%	63.1%	62.8%	62.9%	63.1%	63.4%	62.7%	62.9%	63.1%	63.2%	61.9%	62.0%	63.0%	63.0%	63.0%
Total Operating Expenses	25.7%	21.5%	19.3%	18.4%	19.1%	19.7%	16.9%	20.1%	20.7%	20.2%	19.9%	19.9%	20.5%	20.5%	20.2%	20.2%	20.9%	19.0%	20.2%	20.3%	20.1%
Operating Margin	38.3%	40.4%	41.8%	42.6%	41.2%	41.6%	46.1%	42.9%	42.1%	42.7%	43.2%	43.5%	42.3%	42.4%	42.9%	43.0%	41.0%	43.0%	42.9%	42.7%	42.9%
(Non GAAP) Tax Rate	-26.8%	-19.4%	-21.5%	-20.5%	-20.5%	-24.4%	-21.2%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax Rate	-12.0%	-17.4%	-16.5%	-12.1%	-12.1%	-16.1%	-15.4%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.8%	-21.9%	-21.5%	-21.5%	-21.5%
Non GAAP Net Income	30.6%	32.6%	33.3%	34.9%	33.5%	34.4%	38.5%	35.6%	35.0%	35.3%	35.6%	35.7%	34.9%	34.9%	35.4%	35.3%	33.1%	35.6%	35.4%	35.2%	35.4%
<b>YoY Growth</b>																					
<b>Total Revenue</b>	<b>31.4%</b>	<b>48.7%</b>	<b>57.2%</b>	<b>54.7%</b>	<b>54.1%</b>	<b>38.7%</b>	<b>28.3%</b>	<b>20.3%</b>	<b>12.8%</b>	<b>10.5%</b>	<b>11.5%</b>	<b>13.4%</b>	<b>12.7%</b>	<b>12.3%</b>	<b>12.7%</b>	<b>13.7%</b>	<b>48.6%</b>	<b>33.6%</b>	<b>12.1%</b>	<b>12.9%</b>	<b>11.1%</b>
Gross Profit	29.8%	41.2%	48.1%	46.8%	45.2%	37.2%	32.2%	24.4%	17.5%	13.5%	11.6%	14.0%	12.6%	12.3%	12.8%	13.3%	41.9%	33.8%	14.0%	12.8%	11.2%
R&D	30.7%	24.6%	19.6%	17.2%	14.1%	25.9%	9.5%	29.8%	23.1%	10.8%	30.9%	11.5%	11.5%	14.7%	14.7%	15.8%	22.7%	19.9%	18.4%	14.2%	10.4%
S&M	11.0%	12.3%	14.4%	12.0%	15.9%	23.4%	24.9%	41.1%	28.4%	27.4%	30.9%	12.5%	11.4%	12.5%	13.6%	14.7%	12.4%	26.5%	24.2%	13.1%	9.6%
G&A	40.5%	-4.8%	25.3%	-6.9%	8.3%	68.3%	-21.4%	-4.2%	-17.1%	-24.8%	33.5%	14.7%	13.6%	14.7%	13.6%	14.7%	11.5%	9.9%	-3.1%	14.1%	8.9%
<b>Total Operating Expenses</b>	<b>24.6%</b>	<b>19.2%</b>	<b>18.3%</b>	<b>14.1%</b>	<b>14.3%</b>	<b>27.0%</b>	<b>12.3%</b>	<b>31.4%</b>	<b>22.5%</b>	<b>13.5%</b>	<b>31.0%</b>	<b>11.9%</b>	<b>11.5%</b>	<b>14.0%</b>	<b>14.3%</b>	<b>15.4%</b>	<b>18.9%</b>	<b>21.3%</b>	<b>19.2%</b>	<b>13.9%</b>	<b>10.1%</b>
Operating Income	33.5%	56.6%	67.6%	67.6%	65.9%	42.5%	41.5%	21.4%	15.2%	13.5%	4.4%	14.9%	13.2%	11.5%	12.1%	12.3%	57.5%	40.2%	11.7%	12.3%	11.7%
<b>Non GAAP EPS</b>	<b>34.5%</b>	<b>59.2%</b>	<b>68.2%</b>	<b>72.1%</b>	<b>70.7%</b>	<b>46.3%</b>	<b>46.8%</b>	<b>21.3%</b>	<b>16.5%</b>	<b>12.6%</b>	<b>2.6%</b>	<b>13.4%</b>	<b>12.2%</b>	<b>10.5%</b>	<b>11.7%</b>	<b>12.1%</b>	<b>59.6%</b>	<b>43.4%</b>	<b>10.9%</b>	<b>11.6%</b>	<b>11.6%</b>
GAAP EPS	50.4%	53.0%	60.4%	81.1%	62.4%	64.5%	52.5%	-37.3%	-44.2%	-45.3%	-47.2%	10.2%	7.1%	3.9%	6.5%	7.3%	62.2%	28.7%	-37.0%	6.2%	5.5%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

## Price objective basis & risk

### Arista Networks (ANET)

Our \$305 PO is based on a 2025E P/E multiple of roughly 37.5x. This is a discount to high-growth software peers of 40x and a premium versus networking peers of 20x. We compare the stock to the two groups given its growth attributes and networking hardware solutions, as well as its exposure to secular growth trends across the cloud, OTT video, and big data.

Downside risks are 1) margin pressure from the ramp in sales to Cloud Titans, 2) lumpiness around large customer spending, 3) valuation risks, especially if issues arise around newer growth opportunities.

Upside risks are 1) better-than-expected execution that could translate into higher-than-anticipated growth rates, especially within Cloud Titan 2) solid market share gains in new areas, such as campus switching and 400G

## Analyst Certification

I, Tal Liani, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Qualcomm	QCOM	QCOM US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
<b>NEUTRAL</b>				
	Cellebrite	CLBT	CLBT US	Tal Liani
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
<b>UNDERPERFORM</b>				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	SecureWorks	SCWX	SCWX US	Tal Liani

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

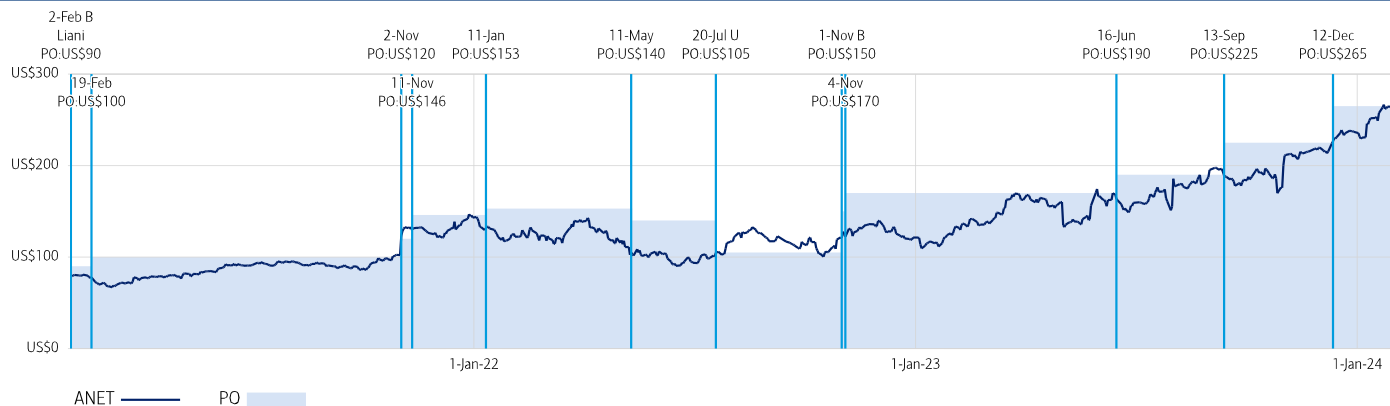
iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofile<sup>SM</sup>, iQmethod<sup>SM</sup> are service marks of Bank of America Corporation. iQdatabase<sup>®</sup> is a registered service mark of Bank of America Corporation.

## Disclosures

### Important Disclosures

#### Arista Networks (ANET) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.



**Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

**Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Arista Networks.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Arista Networks.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Arista Networks.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Arista Networks.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Arista Networks.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

## Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

**"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.**

### Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at [www.bofam.com/BofASEdisclaimer](http://www.bofam.com/BofASEdisclaimer); BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority



of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofA Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofA India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

#### General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

#### BofA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

#### Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA

Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofA Securities or its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofA Securities or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.