Arista Networks is a leading supplier of cloud networking solutions for internet companies, cloud service providers, and next-generation data centers. It generates the largest portion of its revenue from switching products that incorporate its Extensible Operating System (EOS) software.

Analyst's Notes

Analysis by Jim Kelleher, CFA, May 7, 2025

ARGUS RATING: BUY

- Expanding AI opportunity, reiterating $130 target price
- Arista Networks exceeded top-line guidance and consensus sales and non-GAAP EPS estimates for 1Q25. The stock sold off on 2Q25 guidance despite it being above consensus and consistent with a second straight $2 billion-plus revenue quarter.
- First-quarter 2025 sales rose 28% to 2.00 billion, and non-GAAP EPS rose 30% to $0.65, in a quarter in which most networking-equipment peers experienced lower demand year over year.
- The arrival of generative AIs has led to accelerating growth in cloud-based data center networking. Arista is delivering optimal networking platforms for AI applications.
- Arista is successfully managing through macroeconomic weakness and expanding its solutions set and TAM. The company completed a 4-for-1 stock split in December 2024.

INVESTMENT THESIS

BUY-rated Arista Networks Inc. (NYSE: ANET) fell 6% in a mixed market on 5/7/25 despite the company reporting strong growth in sales, including its first-ever $2 billion-plus revenue quarter, and stronger growth in adjusted EPS. Sales guidance of $2.1 billion for 2Q25 was above the pre-reporting consensus but may have missed the 'whisper' number, causing the stock selloff.

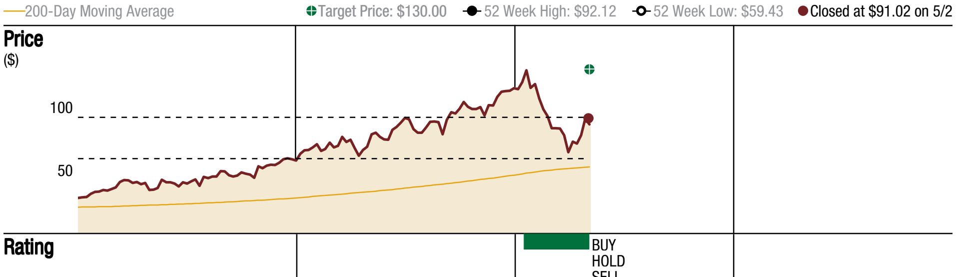
Management noted that Arista achieved its first $2 billion quarter just 11 quarters after first hitting $1 billion in revenue in a three-month period. Following 30%-plus revenue growth in 2023 and 20% growth in 2024, Arista in February 2025 narrowed its top-line growth guidance to 17% for 2025, up from initial guidance in the 15%-17% range. Given the macro uncertainties, the company reiterated its 2025 top-line growth guidance as of May 2025. Non-GAAP gross margin guidance for the year is in a wide range of 60%-63%, which encompasses multiple tariff scenarios. Arista has a habit of outperforming its internal guidance, and we believe the company is positioned to outpace its $8.2 billion revenue goal for 2025.

After 100%-plus growth in cloud titan spending in 2022, cloud titan spending grew in the 20% range in 2023, with rising momentum into year-end. Cloud titan spending accounted for just under half of total 2024 revenue and grew more than 30% year over

Market Data

Pricing reflects previous trading week's closing price.

200-Day Moving Average — Target Price: $130.00 — 52 Week High: $92.12 — 52 Week Low: $59.43 — Closed at $91.02 on 5/2



EPS ($)

FY ends Dec 31	Q1	Q2	Q3	Q4	Annual
2023	0.36	0.40	0.46	0.52	1.73
2024	0.50	0.53	0.60	0.65	2.27
2025	0.65	0.64	0.67	0.70	2.65 (Estimate)
2026	0.70	0.73	0.77	0.81	3.01 (Estimate)

Revenue ($ in Bil.)

FY ends Dec 31	Q1	Q2	Q3	Q4	Annual
2023	1.4	1.5	1.5	1.5	5.9
2024	1.6	1.7	1.8	1.9	7.0
2025	2.0	2.1	2.2	2.3	8.6 (Estimate)
2026	2.4	2.5	2.6	2.7	10.2 (Estimate)

Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 27% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$86.45
Target Price	$130.00
52 Week Price Range	$59.43 to $133.57
Shares Outstanding	1.26 Billion
Dividend	$0.00

Sector Overview

Sector	Information Technology
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	30.30%

Financial Strength

Financial Strength Rating	HIGH
Debt/Capital Ratio	0.6%
Return on Equity	31.7%
Net Margin	40.7%
Payout Ratio	--
Current Ratio	4.36
Revenue	$7.44 Billion
After-Tax Income	$3.03 Billion

Valuation

Current FY P/E	32.62
Prior FY P/E	38.08
Price/Sales	14.60
Price/Book	10.74
Book Value/Share	$8.05
Market Capitalization	$108.57 Billion

Forecasted Growth

1 Year EPS Growth Forecast
16.74%

5 Year EPS Growth Forecast
14.00%

1 Year Dividend Growth Forecast
N/A

Risk

Beta	1.70
Institutional Ownership	66.53%

Please see important information about this report on page 6

Analyst's Notes ...Continued

year. During 2024, accelerating enterprise demand for generative AI led to strengthening growth in cloud-based data center networking in support of large language models (LLMs) delivered as a service.

As the leader in enterprise and data center cloud networking, Arista is uniquely positioned to benefit from this unfolding opportunity and meaningful TAM expansion. In June 2024, Arista introduced its Etherlink platforms with a range of solutions including AI back-end networking for very large AI clusters.

Beyond cloud titans, Arista is seeing strength in its other customer verticals, including enterprise data center clients and service providers (now including Apple). Over the past two years, Arista has supplemented its focus on AI cloud, carrier, and large-enterprise customers with products for the campus and mainstream switching market. The company continues to offer new campus WAN routing solutions.

Arista Networks split its stock 4-for-1 late in 2024 in response to exceptional market performance over the past several years. Although stock splits are regarded as arithmetic events, in our experience companies that split their stocks signal strength to institutional investors and broaden their appeal to retail investors, resulting in additional upside.

Arista in our view appears positioned for sustained annual revenue and EPS growth in coming years. Having navigated the supply-chain crisis and a prolonged IP battle with Cisco, Arista is now successfully managing through macroeconomic weakness, customer caution, cost inflation, and lingering supply issues. Despite outperformance in ANET during 2023 and 2024, we recommend adding to or establishing positions on broad-market weakness. We regard Arista as a premier long-term holding in the cloud networking space. We are reiterating our BUY rating and our split-adjusted 12-month target price of $130.

RECENT DEVELOPMENTS

ANET is down 18% year-to-date in 2025, while immediate peers are down 5%. Arista rose 88% in 2024, while the peer group of cloud, social, mobile, and internet service companies in Argus coverage advanced 26% for the year. Arista rose 94% in 2023, while immediate peers advanced 70%; declined 16% in 2022, while immediate peers dropped 43%; soared by 98% in 2021, vs. 10% for immediate peers; and rose 43% in 2020, versus an 89% gain for peers.

For 1Q25, Arista reported revenue of $2.00 billion, which was up 28% year over year and 4% sequentially. Revenue came in above the high end of management's $1.93-$1.97 billion guidance range and topped the $1.97 billion consensus forecast. Non-GAAP earnings of $0.65 per diluted share were up 30% annually and flat sequentially. Non-GAAP EPS beat the consensus call of $0.59. Management does not provide formal non-GAAP EPS guidance; based on top-line and margin guidance, we had modeled 4Q24 EPS in the $0.56-$0.62 range.

During 1Q25, product sales of $1.69 billion (84% of total)

Growth & Valuation Analysis

GROWTH ANALYSIS					
($ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	2,318	2,948	4,381	5,860	7,003
COGS	836	1,067	1,706	2,230	2,512
Gross Profit	1,482	1,881	2,676	3,630	4,491
SG&A	296	369	420	518	550
R&D	487	587	728	855	997
Operating Income	700	925	1,527	2,257	2,945
Interest Expense	-27	-7	-28	-152	-311
Pretax Income	739	931	1,582	2,422	3,265
Income Taxes	104	90	229	335	413
Tax Rate (%)	14	10	14	14	13
Net Income	635	841	1,352	2,087	2,852
Diluted Shares Outstanding	1,271	1,277	1,266	1,269	1,281
EPS	0.50	0.66	1.07	1.65	2.23
Dividend	—	—	—	—	—
GROWTH RATES (%)					
Revenue	-3.9	27.2	48.6	33.8	19.5
Operating Income	-13.2	32.2	65.1	47.8	30.5
Net Income	-26.2	32.5	60.8	54.3	36.6
EPS	-24.8	31.5	62.7	54.2	35.2
Dividend	—	—	—	—	—
Sustainable Growth Rate	24.8	22.6	28.2	34.9	33.8
VALUATION ANALYSIS					
Price: High	$18.36	$37.14	$36.13	$60.17	$116.94
Price: Low	$9.79	$16.38	$22.28	$26.89	$56.65
Price/Sales: High-Low	10.1 - 5.4	16.1 - 7.1	10.4 - 6.4	13.0 - 5.8	21.4 - 10.4
P/E: High-Low	36.7 - 19.6	56.5 - 24.9	33.8 - 20.8	36.5 - 16.3	52.4 - 25.4
Price/Cash Flow: High-Low	26.7 - 14.3	48.4 - 21.4	67.7 - 41.8	49.2 - 22.0	46.7 - 22.6

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash ($ in Millions)	672	1,939	2,762
Working Capital ($ in Millions)	4,257	6,481	9,179
Current Ratio	4.29	4.38	4.36
LT Debt/Equity Ratio (%)	0.9	—	—
Total Debt/Equity Ratio (%)	0.9	—	—
RATIOS (%)			
Gross Profit Margin	61.1	61.9	64.1
Operating Margin	34.9	38.5	42.0
Net Margin	30.9	35.6	40.7
Return On Assets	21.6	25.0	23.8
Return On Equity	30.5	34.5	33.1
RISK ANALYSIS			
Cash Cycle (days)	221.0	271.1	272.0
Cash Flow/Cap Ex	11.0	59.1	115.8
Oper. Income/Int. Exp. (ratio)	—	—	—
Payout Ratio			

Please see important information about this report on page 6

Analyst's Notes ...Continued

increased 27% annually and 5% sequentially. Software & Services revenue (16% of total) was up 29% annually and down 3% quarter over quarter. U.S. sales (80%) of total were up 27% annually and down 1% sequentially. International sales (20% of total) were up 29% annually and a sharp 32% sequentially, reflecting a strong rebound in Asia-Pacific sales.

CEO and now chairperson Jayshree Ullal believes Arista has emerged into the top tier of AI networking leaders. The company in 2024 far exceeded its initial sales growth and margin targets. The key driver to this accelerating performance, according to the CEO, has been 'the momentum of generative AI.' Cloud Titans are driving accelerating creation of AI clusters for LLM training and inference and are also leading in delivery of AI-as-a-service. Cloud titan revenue amounted to 48% of 2024 sales compared with just 28% of revenue in 2023.

Arista, according to the CEO, is redefining the future of data-driven networking. Cloud and AI momentum continues and, despite the uncertain macroenvironment, management remains confident that the company can generate $750 million in front-end AI revenue in 2025. Arista is progressing well with all four of major cloud titan customer and continues to add new ones as well. Meta Platforms and Microsoft represented together represented over one-third of total 2024 revenue. Google Cloud and now Oracle are also major cloud customers for Arista's AI networking solutions.

At Nvidia's GTC 2025, CEO Jensen Huang stated plans to refresh the GPU roadmap every 12 to 18 months. Arista, CEO Ullal stated, 'intends to be the premier and preferred scale-out network for all of those GPUs and accelerators.' Collective Communications Libraries (CCLs) of GPUs try to discover underlying networking topology using localization techniques. Accelerated compute is challenging that model. Arista's Etherlink portfolio brings a single point of network control and visibility to identify and localize performance issues. As the size of AI clusters exceeds 50,000 or even 100,000 XPUs, deploying Arista spine and left network architecture becomes 'vital,' according to the company.

Arista is developing new products for the branch and campus opportunity. Enterprise continues to regain momentum, with the CEO highlighting a new opportunity in the U.S. federal sector even as most companies are seeing deal pushouts. The company is executing well and is 'aiming for $10 billion in annual revenue and beyond sooner than we previously expected,' the CEO stated.

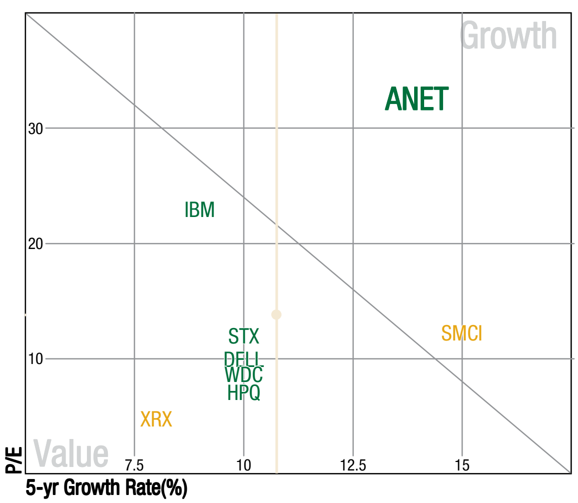
Arista regards itself as the pure-play network innovator for the next era of data-driven, client-to-cloud AI networking. The company sees a total available market opportunity of at least $70 billion. Following the company's tenth anniversary as a public company in June 2024, Arista outlined its plans for 'Arista 2.0' for 2025.

Management believes that networks are emerging as the epicenter of mission-critical transactions and that the Arista 2.0 strategy is resonating with customers. The company's networking

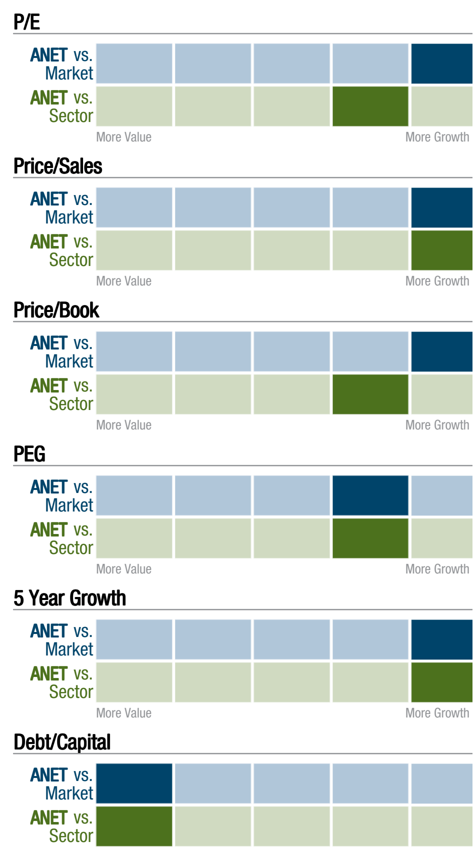
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare ANET versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how ANET stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how ANET might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
IBM	International Business Machine	235,481	9.0	23.0	8.7	4.6	BUY
ANET	**Arista Networks Inc**	**108,574**	**14.0**	**32.6**	**40.7**	**13.6**	**BUY**
DELL	Dell Technologies Inc	34,361	10.0	10.0	4.7	11.1	BUY
HPQ	HP Inc	24,369	10.0	7.1	5.0	7.2	BUY
STX	Seagate Tech Hldgs Pl	20,256	10.0	12.0	17.5	33.5	BUY
SMCI	Super Micro Computer Inc	19,382	15.0	12.3	5.3	37.7	HOLD
WDC	Western Digital Corp.	15,455	10.0	8.7	18.5	10.2	BUY
XRX	Xerox Holdings Corp	668	8.0	4.8	-21.0	45.5	HOLD
Peer Average		**57,318**	**10.8**	**13.8**	**9.9**	**20.4**	



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Analyst's Notes ...Continued

platforms are foundational as customers seek to migrate from siloed networks and compute to 'centers of data,' which could be an actual data center, a wide area network, a campus implementation, or an AI center.

In June 2024, Arista launched its Etherlink AI platforms. These platforms are compatible with technology from the Ultra Ethernet Consortium, validating the migration from InfiniBand to Ethernet. At the heart of Arista's architecture is EOS software stack for multi-modal data sets, the company's state-oriented, network data lake.

In terms of product categories, Core Cloud AI & Data Center accounted for about 65% of 2024 revenue. Products in this category are built on a highly differentiated and extensible OS stack and deployed across 10 gigabit (G), 25G, 100G, 200G, 400G and now 800G Ethernet speeds. Arista stated it is gaining share in the higher end of 100G, 200G, and 400G ports to a number one position of 40% market share. The 400G customer base now exceeds 1,000 customers as of year-end 2024.

Arista expects 800G Ethernet to emerge as the leading solution for AI back-end clusters in 2025. Arista is 'optimistic' about achieving its goal of $1.5 billion in AI revenue in 2025, according to the CEO, which includes $750 million in AI back-end clusters and $70 million in AI front end.

Arista's AI network portfolio consists of three product families and over 20 Etherlink switches. The distributed EtherLink 7700 is used for two-tier networks with up to 10,000 GPU clusters. The Arista 7700 R4 and 'flagship' 7800 AI Spine switch, according to SVP Engineering John McCool, have entered into production and together with the 7700 and 7060 X6 'provide our customers with the broadest set of 800 Gbps Ethernet products for their AI networks.'

The Etherlink AI platform family has a range of switches in fixed, modular, and distributed configurations. Products in the 7060 series include 400Gbps and 800Gbps fixed and modular switches with up to 51.2 Terabits per second (Tbps) of capacity. The 7800R4 series high performance 8000 R4 AI Spine is the fourth generation of Arista's flagship 7800 series and supports up to 460 Tbps in a single chassis.

The 7700R4 Distributed Etherlink Switch (DES), according to the company, provides a 'novel' third approach to AI back-end networks, scaling out the 7800R4 to support up to 32,000 accelerators (GPUs) in a logical single-hop topology. The 7700R4, according to the CEO, represents the first in a new series of ultra-scalable intelligent distributed systems 'that can deliver the highest consistent throughput for very large AI clusters.' The entire Etherlink platform is in trials and will soon move into qualifications with customers.

The Network Adjacencies market, which includes Routing, Routing-Displacement, and the cognitive AI-driven Campus, represented 18% of total revenue in 2024. Campus customers are responding positively to cognitive wireless 'zero-touch' provisioning, network identity, and threat mitigation solutions. While the 2024 headline was about generative AI, Arista continues to diversify its business globally with multiple use cases and verticals.

EARNINGS & GROWTH ANALYSIS

In December 2024, Arista split its stock 4-for-1. We have adjusted all historical and forward per-share earnings and per-share dividends for the company to reflect the split.

For 1Q25, Arista reported revenue of $2.00 billion, which was up 28% year over year and 4% sequentially. Revenue came in above the high end of management's $1.93-$1.97 billion guidance range and topped the $1.97 billion consensus forecast.

The non-GAAP gross margin tightened to 64.1% in 1Q25 from 64.2% in 4Q24 and from 64.2% a year earlier. The non-GAAP operating margin was 47.8% in 1Q125 vs. 47.0% in 4Q24 and 47.3% a year earlier.

Non-GAAP earnings of $0.65 per diluted share were up 30% annually and flat sequentially. Non-GAAP EPS beat the consensus call of $0.59. Management does not provide formal non-GAAP EPS guidance; based on top-line and margin guidance, we had modeled 4Q24 EPS in the $0.56-$0.62 range.

For all of 2024, revenue of $7.00 billion rose 20% from $5.86 billion in 2023. Split-adjusted non-GAAP earnings were $2.27 per diluted share for 2024, up 31% from $1.73 per diluted share in 2023.

For 2Q25, Arista is modeling revenue of approximately $2.1 billion, which would be up 24% year over year and 5% sequentially. Management expects a non-GAAP gross margin of 63% and a non-GAAP operating margin of 46%. Based on these inputs and other elements of our line-item modeling, we believe that Arista can earn $0.58-$0.66 per share in 2Q25, which would imply low-20% annual growth.

Arista in February 2025 narrowed its top-line growth guidance to 17% for 2025, from initial guidance in the 15%-17% range. Given the macro uncertainties, the company reiterated its 2025 topline growth guidance as of May 2025. Non-GAAP gross margin guidance for the year is in a wide range of 60%-63%, which encompasses multiple tariff scenarios.

We are raising our split-adjusted non-GAAP EPS projection for 2025 to $2.65 per diluted share from $2.55. We are raising our 2026 non-GAAP EPS forecast to $3.01 per diluted share from an initial $2.95. We regard our estimates as fluid and subject to revision based on the pace of AI penetration within the cloud networking.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Arista is High. The company's rapid sales growth, which is increasingly software-driven, throws off substantial cash. Debt is less than 10% of cash, and the company has stepped up its shareholder return program with a major share repurchase authorization.

Cash & investments were $8.15 billion at the end of 1Q25. Cash & investments were 8.30 billion at the end of 2024, $5.0 billion at the end of 2023, $3.03 billion at the end of 2022, and $3.41 billion at the end of 2021.

Total debt was $656 million at the end of 1Q25. Total debt was $441 million at the end of 2024, $283 million at the end of 2023, $175 million at the end of 2022, and $143 million at the end of 2021.

The debt/total capital ratio was 4.2% at the end of 2024. Debt/cap was 3.5% at the end of 2023, 3.9% at the end of 2022, 3.6% at the end of 2021, and 9.5% at the end of 2020. Those debt/cap ratios are well below the communications equipment industry average in the low 20% range.

Cash flow from operations was $3.71 billion in 2024. Cash flow from operations was $2.03 billion in 2023, $1.02 billion in 2022, $1.02 billion in 2021, and $735 million in 2020.

Arista repurchases mainly to offset share-base expansion due to

Please see important information about this report on page 6

Analyst's Notes ...Continued

stock-based compensation.

The company has never paid a dividend, and we do not expect it to implement one for 2025 or 2026.

MANAGEMENT & RISKS

Jayshree Ullal has served as president and CEO of Arista since October 2008 and is now chairperson of the board. Chantelle Breithaupt became CFO in February 2024, replacing long-time CFO Ita Brennan. The new CFO brings 25 years of experience as a financial executive.

Andreas Bechtolsheim, an Arista founder who had served as the company's chairman since 2004, transitioned off the board and into the chief architect role. Ken Duda, another Arista founder, joined the board and has become Chief Technology Officer. Hugh Holbrook was promoted to Chief Development Officer, taking over the role from Mr. Bechtolsheim. Chief Platform Officer John McCool and Group VP Ken Kiser will take responsibility for cloud, AI, and tech initiatives, operations and sales.

Former COO Anshul Sadana has left the company and will not be replaced as Arista seeks to 'flatten' its leadership team. The company also named new leadership in global enterprise and service provider markets. These multiple C-level changes, to prepare Arista for the age of AI networking, were executed in a seamless process that did not cause a ripple in the stock.

A main risk for Arista, as for other networking gear companies, is the possibility of a general economic downturn and a corresponding dip in demand for networking gear, inventory congestion, and a cyclical slowdown in orders. Those risks have been amplified by the pandemic, the supply chain crisis, and now global macro-economic slowing. We believe that Arista has the financial strength, market leadership, and growth characteristics to weather this storm and emerge a stronger player.

Arista investors face customer concentration risk, as several large customers account for a significant portion of the company's revenue, as well as risks from intense competition and changes in technology that could reduce demand for the company's products. Arista may also be hurt by supply shortages and adverse currency movements.

COMPANY DESCRIPTION

Arista Networks is a leading supplier of cloud networking solutions for internet companies, cloud service providers, and next-generation data centers. It generates the largest portion of its revenue from switching products that incorporate its Extensible Operating System (EOS) software.

VALUATION

ANET shares trade at 34.2-times our 2025 non-GAAP EPS estimate and at 30.2-times our 2026 projection. The average two-year forward P/E of 32.2 is below the five-year historical P/E (2020-2024) of 44.6. On a two-year-forward basis, ANET trades at a relative P/E of 1.67, below its historical relative P/E of 2.07. Historical comparable analysis indicates a value in the $120s, near current prices and in a clearly rising trend.

Compared to a diverse peer group that includes equipment vendors as well as cloud service providers, ANET trades at premiums on most-priced-based valuation metrics. We believe those premiums are well deserved given its disruptive business model. Our peer-indicated value in the $180s is in a rising trend despite the tech stock correction.

Our more forward-looking discounted free cash flow model values ANET in the low $200s in a clearly rising trend. Our blended fair value estimate in the high-$170s is in a rising trend and remains well above current prices. Appreciation to our split-adjusted 12-month target price of $130 implies a potential risk-adjusted return in excess of our forecast market return and is thus consistent with a BUY rating.

On May 7, BUY-rated ANET closed at $86.45, down $4.32.

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About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.