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Arm Holdings plc Q3 FYE24 Results Presentation

Ian Thornton, Head of Investor Relations

investor.relations@arm.com

<https://investors.arm.com>

February 7, 2024

Forward-Looking Statements

This presentation may contain certain “forward-looking statements,” including statements regarding Arm’s and its management team’s expectations, hopes, beliefs, intentions or strategies regarding the future. Forward-looking statements are generally identifiable by statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. The forward-looking statements contained herein are based on Arm’s current expectations and beliefs concerning future developments and their potential effects. There can be no assurance that future developments will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond Arm’s control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. You should also carefully read the risk factors described in the final prospectus relating to our initial public offering, filed with the SEC on September 14, entitled “Risk Factors” for a description of the material risks that could, among other things, cause Arm’s actual results to differ materially from those expressed or implied in our forward-looking statements. Except as required by law, Arm is not undertaking any obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

In addition to disclosing results determined in accordance with generally accepted accounting principles, or GAAP, this presentation includes certain non-GAAP financial measures that differ from measures calculated in accordance with GAAP, such as non-GAAP cost of sales, non-GAAP gross profit, non-GAAP research and development operating expenses, non-GAAP selling, general and administrative operating expenses, non-GAAP impairment of long-lived assets operating expenses, non-GAAP disposal, restructuring and other operating expenses, net, non-GAAP operating income (loss) from continuing operations, non-GAAP net income (loss) from continuing operations, free cash flow, and free cash flow TTM. These non-GAAP measures are in addition to, and not a substitute for or superior to, financial measures prepared in accordance with GAAP and should be considered in conjunction with, Arm’s historical GAAP financial measures. These non-GAAP financial measures are presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may differ from similarly titled metrics or measures presented by other companies. A reconciliation of these measures to the most directly comparable GAAP measure is included at the end of these slides. Arm is unable to provide a reconciliation of certain non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis because doing so would not be possible without unreasonable effort due to, among other things, the potential variability and limited visibility of the excluded items. For the same reasons, Arm is unable to address the probable significance of the unavailable information.

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Q3 FYE24
Results Summary

Q3 FYE24 – Highlights

\$824m

Total revenue up 14% yoy

\$354m

License and other revenue up 18% yoy

\$470m

Royalty revenue up 11% yoy

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\$338m⁽¹⁾

Non-GAAP Operating Income up 17% yoy
41.0% Non-GAAP operating margin

\$724m

Trailing 12 Months FCF up 63% yoy

7.7bn

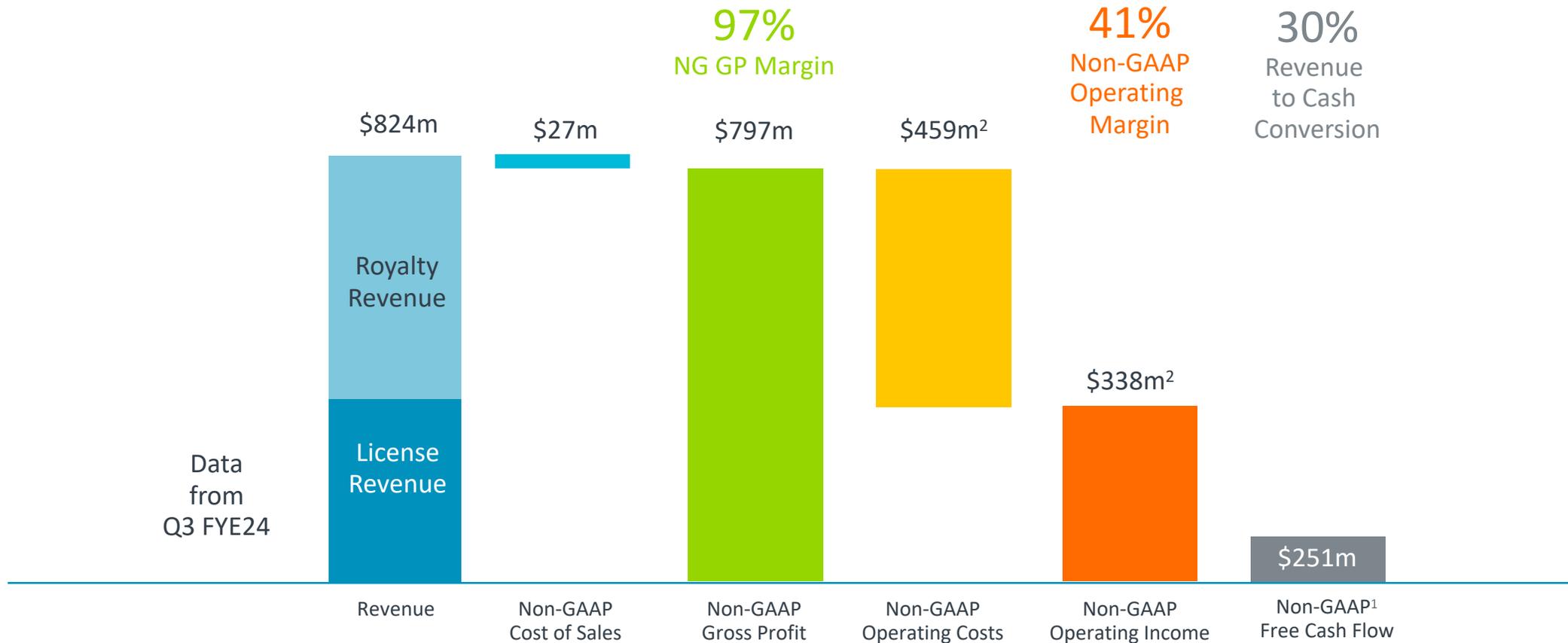
Chips reported as shipped
280.3bn Cumulative chip shipments

Notes:

1. Included in Q3 FYE24 Non-GAAP operating income results of \$338m is \$23m of employer taxes related to equity-classified awards vesting within the quarter, net of the research and development tax credit associated with these taxes.

From Q4 FYE24, we will be excluding these taxes from our Non-GAAP presentation. Excluding these employer taxes, Q3 FYE24 non-GAAP operating income results would have been \$361m, up 25% yoy, and Non-GAAP operating margin would have been 44%.

Q3 FYE24 – From Revenues to Profits to Cash



Data from Q3 FYE24

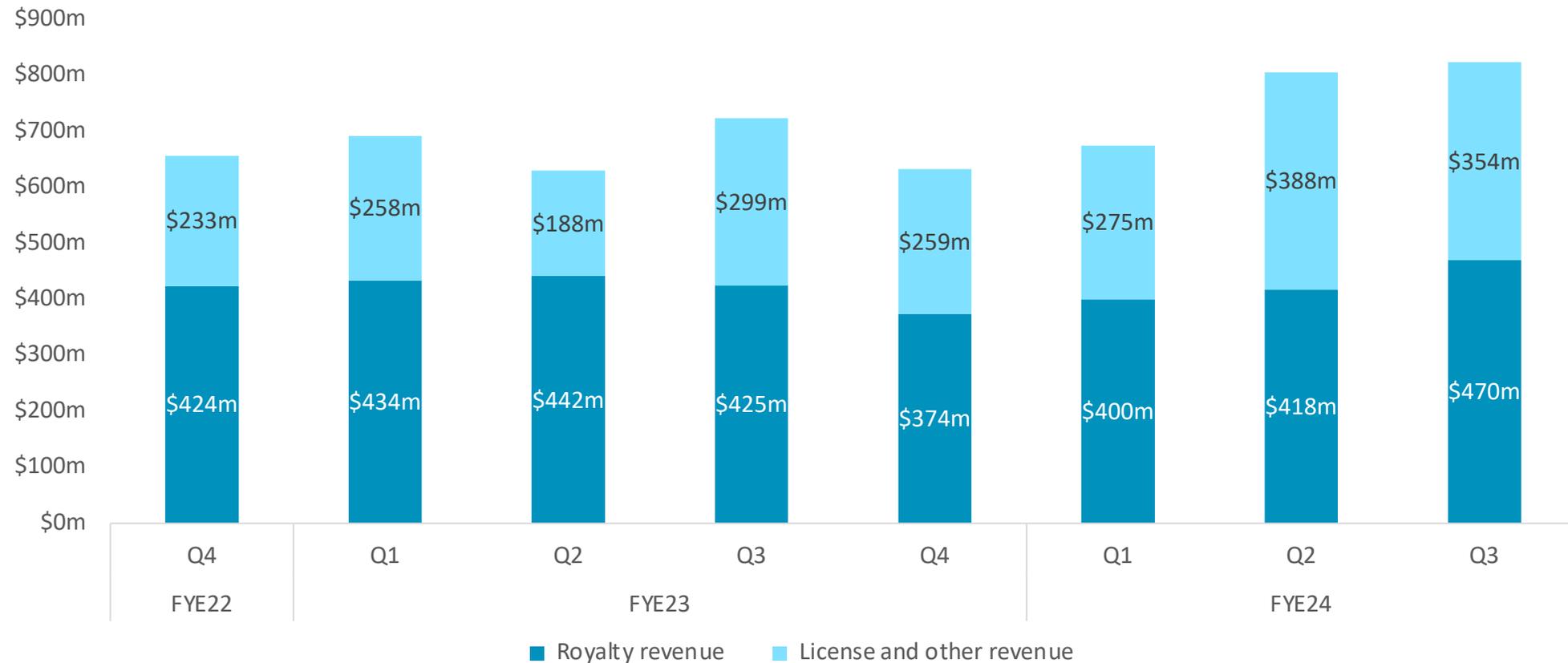
Note: Depreciation and amortisation for Q3 FYE24 was \$42m

1. Non-GAAP Operating Income and Free Cash Flow are non-GAAP metrics. Please see the end of this presentation for a reconciliation of each to the most directly comparable GAAP metric

2. Q3 FYE24 Non-GAAP operating income of \$338m includes \$23m of employer taxes related to equity-classified awards vesting within the quarter, net of the research and development tax credit associated with these taxes. From Q4 FYE24, we will be excluding these taxes from our Non-GAAP presentation. Excluding this effect, Q3 FYE24 Non-GAAP operating income results would have been \$361m, up 25% yoy, and Non-GAAP operating margin would have been 44%.

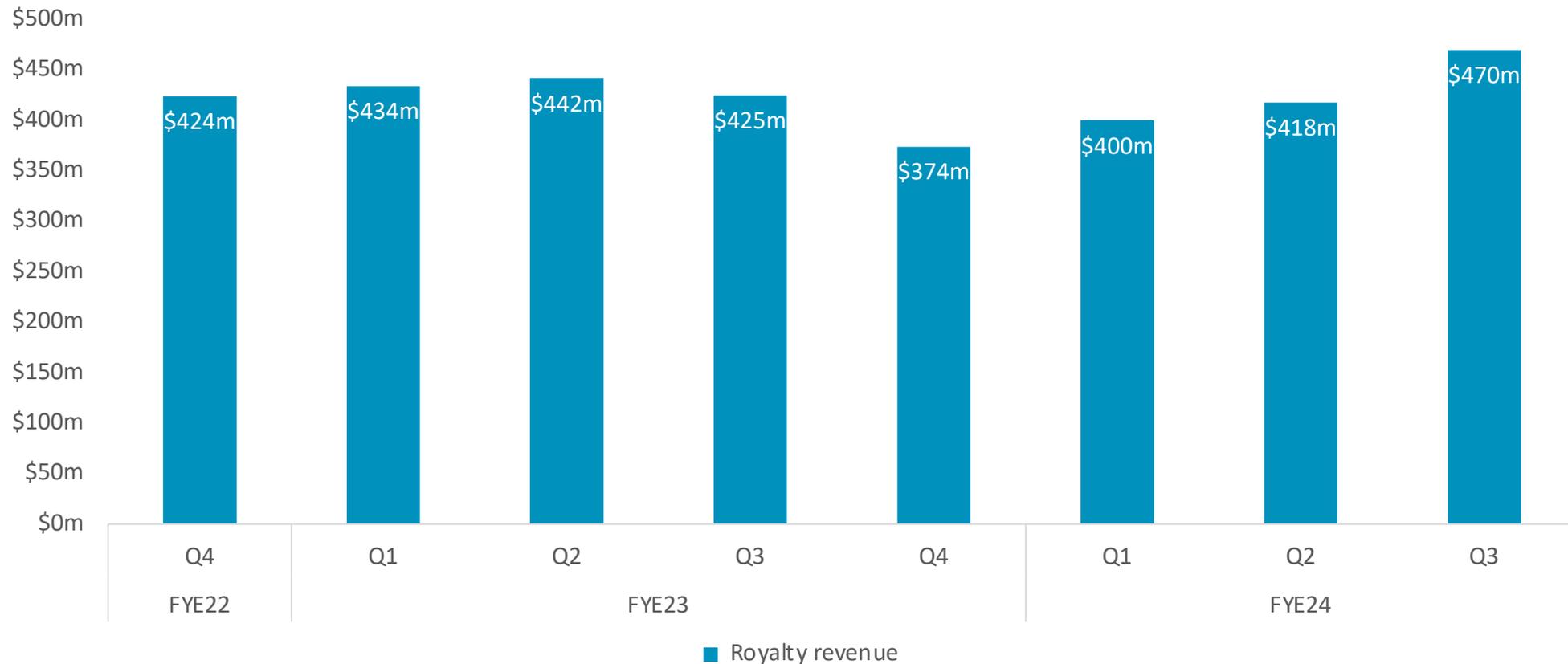
Q3 FYE24 – Revenue

- + Total revenue: \$824m up 14% yoy – Highest ever!
- + License and other revenue: \$354m up 18% yoy driven by five new ATA agreements and companies licensing high-performance CPUs etc. to embedded AI into every end device
- + Royalty revenue: \$470m up 11% yoy with strong smartphone sales and Arm v9 penetration



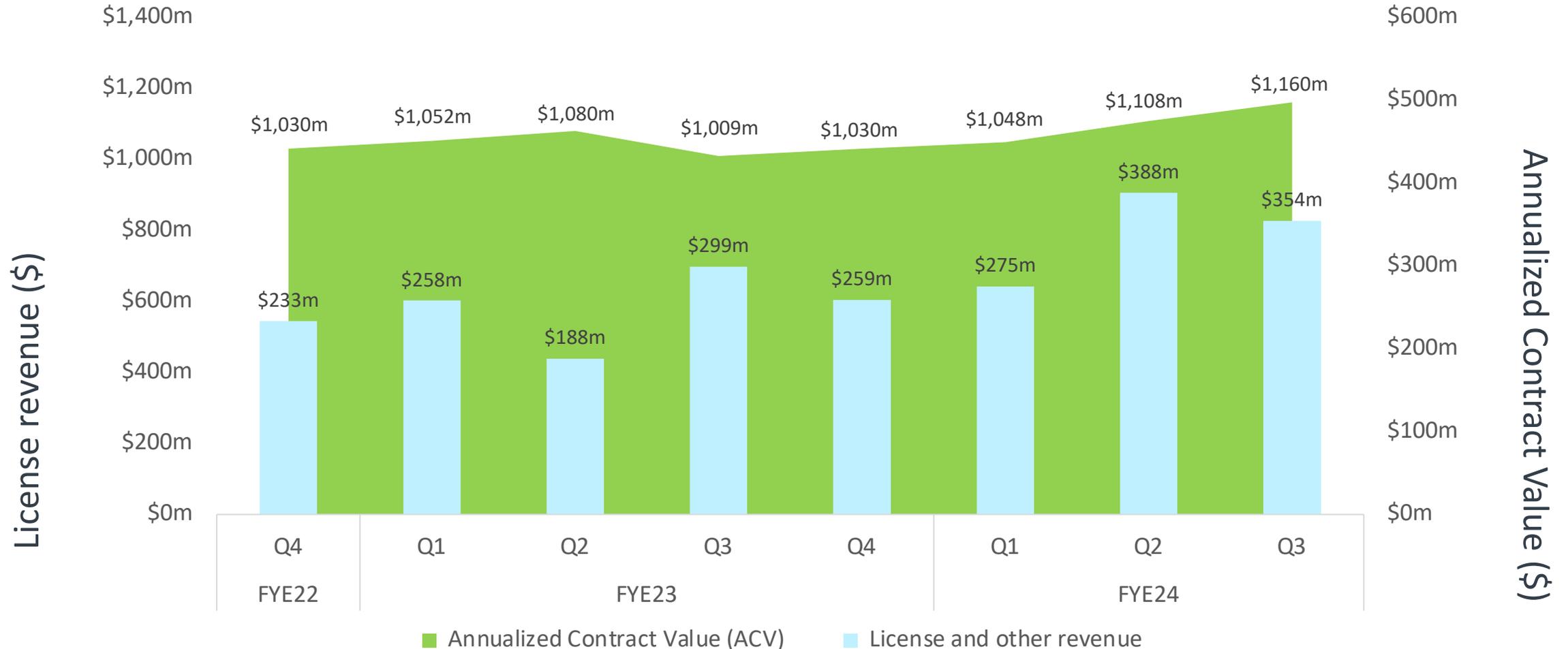
Q3 FYE24 – Royalty Revenue

- + Record royalty revenue up 11% yoy
- + Semiconductor industry (WSTS) has been growing month on month since low point in February 2023; Arm has ~50% market share of chips with processors and so is impacted by the same overall industry trends
- + Arm is benefitting from Armv9 penetration in smartphones and market share gains in cloud servers and automotive



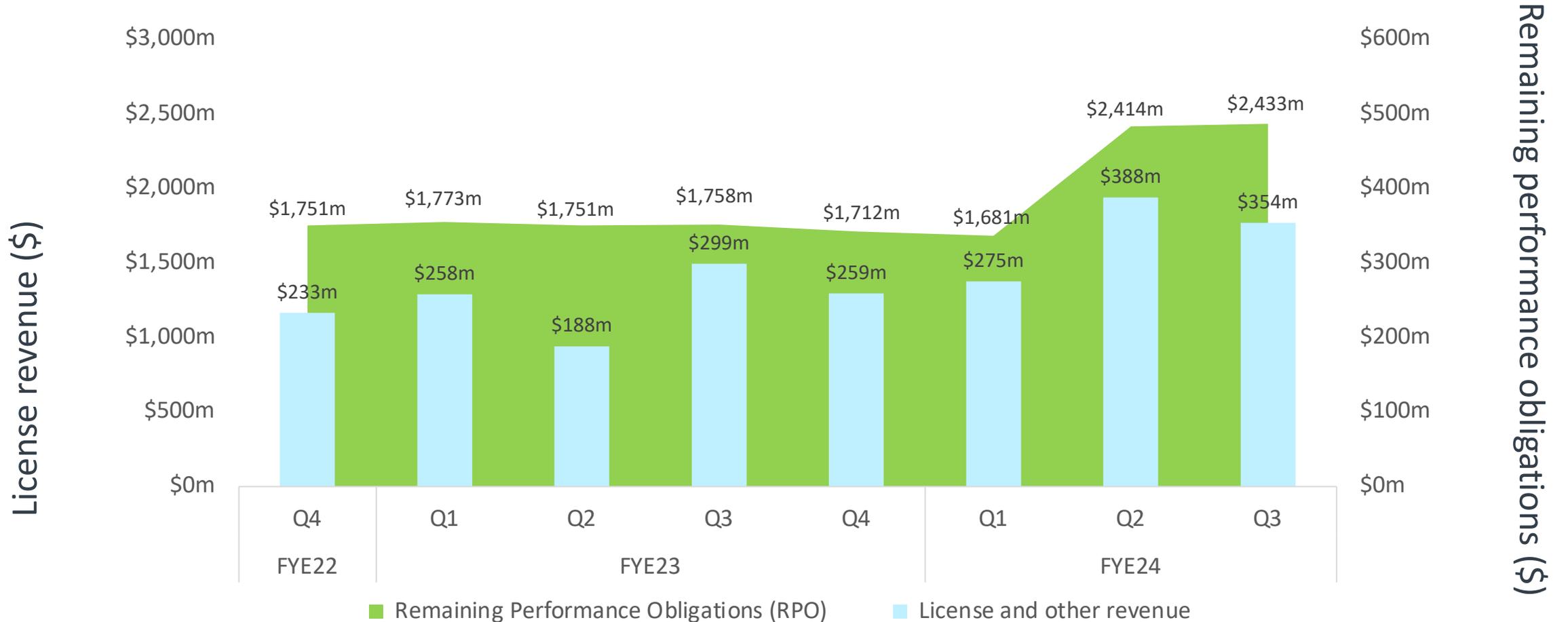
Q3 FYE24 – Annualized Contract Value

+ Annualized contract value increased during Q3 by multiple high-value, long-term ATA deals being signed



Q3 FYE24 – Remaining Performance Obligations (RPO)

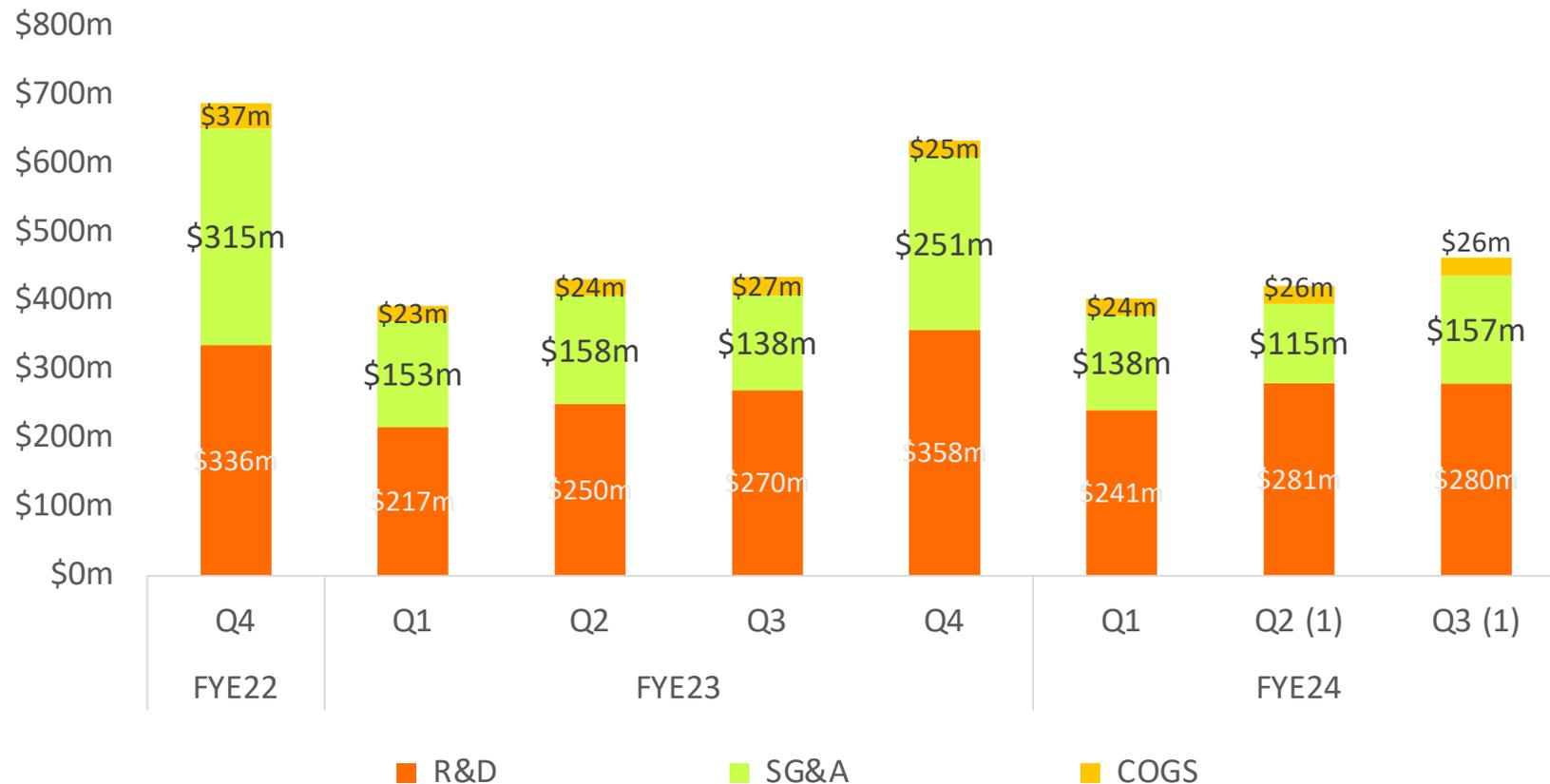
- + Remaining performance obligations represent revenue that will be recognized in future periods
- + RPO increased slightly in Q3 due to multiple high-value, long-term deals being signed



Q3 FYE24 – Non-GAAP Cost of Sales and Operating Expenses

Cost profile includes prospective change to Non-GAAP reporting (see footnote)

- + Q3 FYE24 non-GAAP COGS was roughly flat yoy, whilst non-GAAP Opex grew 7% yoy
- + After adjusting Q3 FYE23 for cash settled share-based compensation and various one-off credits, underlying non-GAAP operating expenses grew 19% yoy, similar to Arm’s headcount growth for the same period

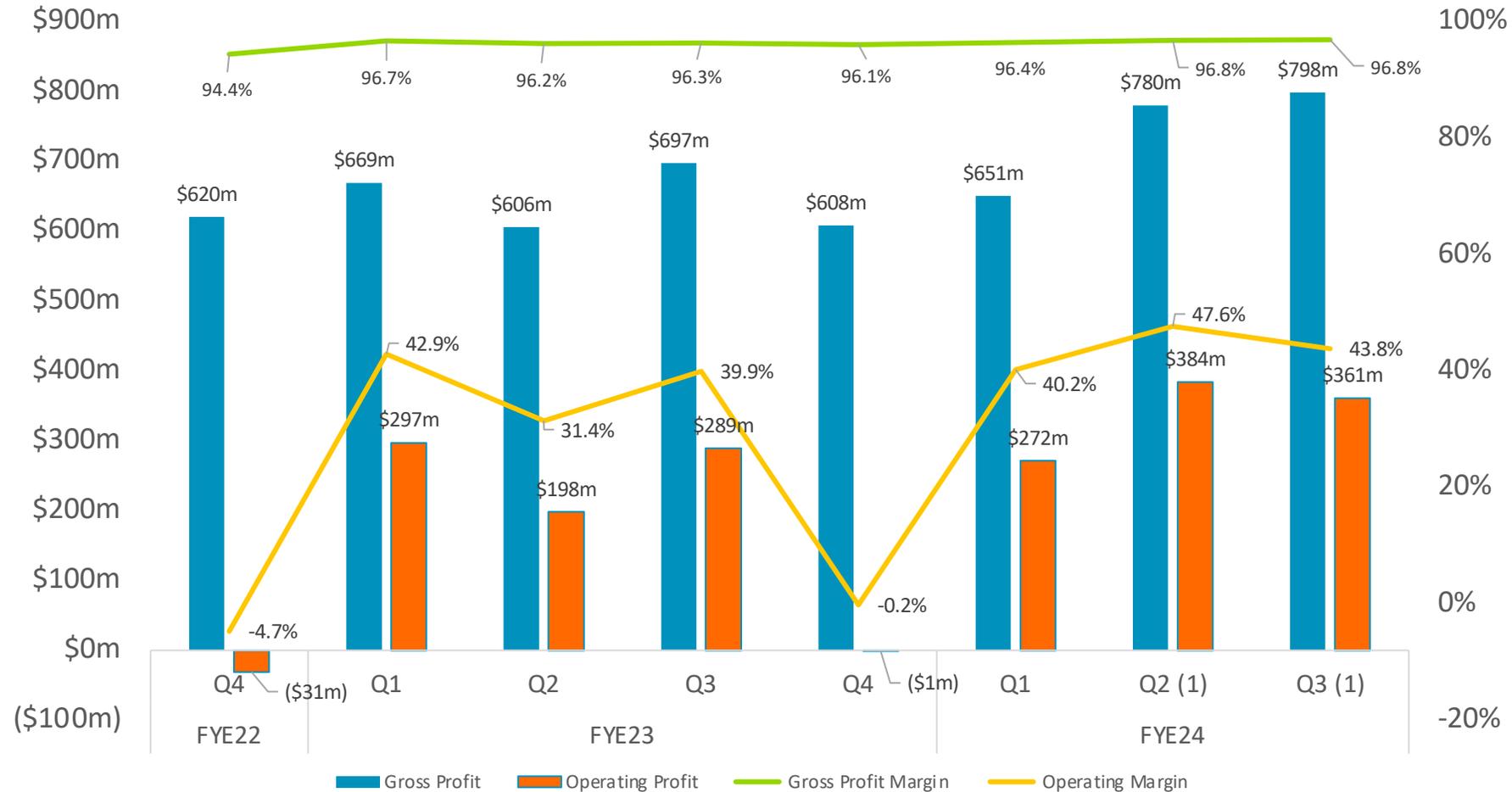


1. Q2 FYE24 and Q3 FYE24 Non-GAAP COGS and Operating expenses exclude \$3m and \$23m, respectively, of employer taxes related to equity-classified awards vesting within the quarter, net of the research and development tax credit associated with these taxes. From Q4 FYE24, we will be excluding these taxes from our Non-GAAP presentation.

Q3 FYE24 – Non-GAAP gross and operating profit

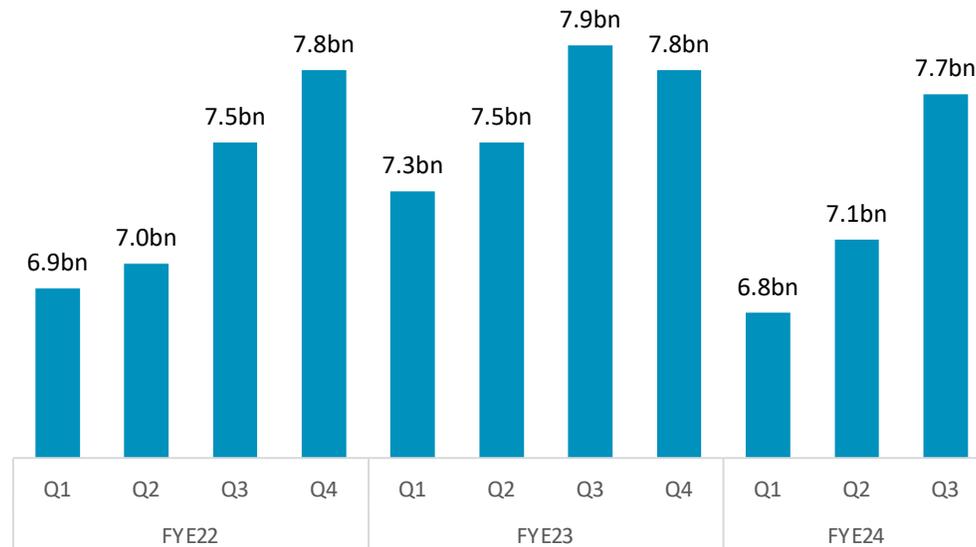
Cost and margin profile includes prospective change to Non-GAAP reporting (see footnote)

+ Q3 gross profit and operating profit margins remaining over 95% and 40%, respectively



Q3 FYE24 – Chips reported as shipped

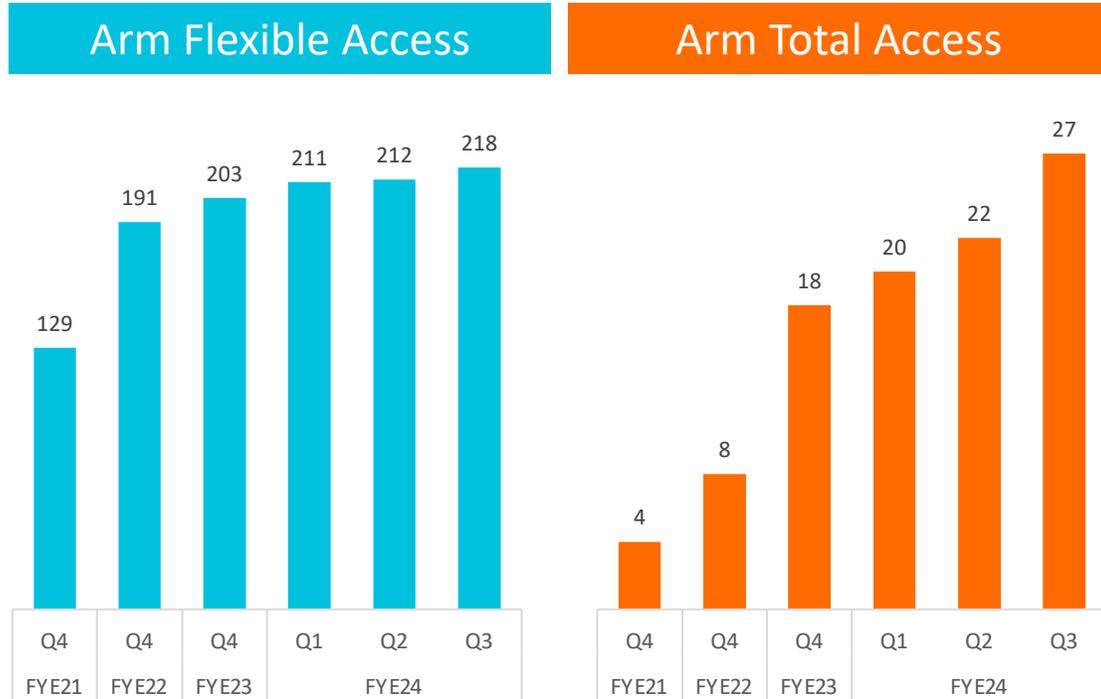
Chips Reported as Shipped



Chips shipped are reported one quarter in arrears – current quarter is down 3% yoy and up 8% qoq, reflecting recovery seen by peers

- + Chip shipments relate to July to September quarter
- + Down 3% yoy mainly due to mobile shipments gradually recovering from historical inventory builds in Sept-qtr, offset by growth in automotive
- + Up 8% qoq reflecting the industry recovery

Q3 FYE24 – Non-Financial Metrics



+ Arm Total Access up 5 to 27

- Target markets for these licensees include automotive, consumer electronics, IoT/embedded and smartphones
- ATA licensees typically long-term Arm partners, 20 of the 27 are customers for +10 years, 11 for +20 years

+ Arm Flexible Access net up 6 to 218

- +50 renewals, 14 new agreements signed with companies developing wide range of applications: AI accelerators, edge servers, automotive applications, sensors, etc.

Guidance

	Q4 FYE 24	FYE 24
Revenue (\$m)	\$850m - \$900m	\$3,155m - \$3,205m
Non-GAAP Operating Expense (\$m) ¹	~\$490m	~\$1,700m
Non-GAAP fully diluted earnings per share (\$)¹	\$0.28 - \$0.32	\$1.20 - \$1.24

1. Non-GAAP presentation excludes employer taxes related to equity-classified awards vesting within the quarter, net of the research and development tax credit associated with these taxes. See Shareholder Letter for more information.



arm

Q3 FYE24

Background on Arm

Arm is Building the Future of Computing

- + Arm is the world's most pervasive CPU architecture
- + Everything today is a computer
– CPUs needed everywhere
- + Strong growth, highly profitable and cash generative company

280+ Billion

Arm-based chips shipped since inception



30.6 Billion

Arm-based chips reported as shipped in FYE23

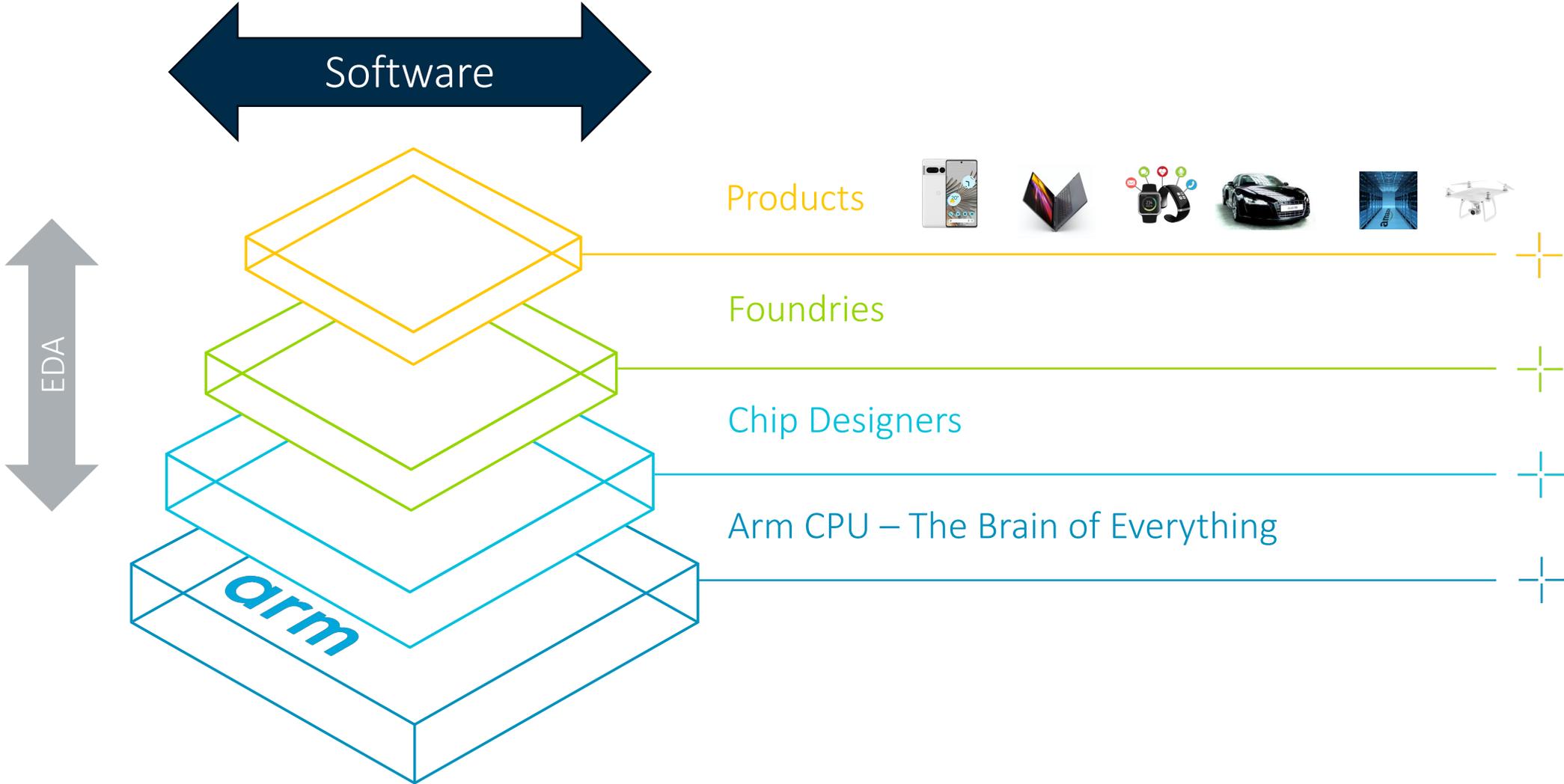


15M+

Software Developers on Arm



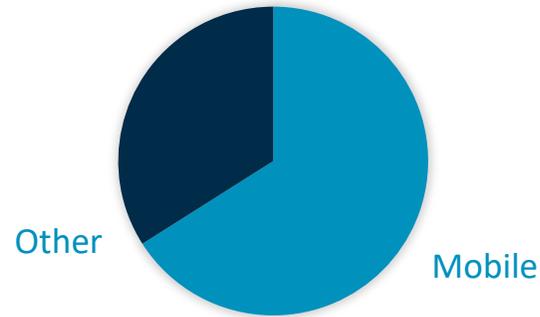
The Foundation of the Semiconductor Industry



What Have We Done Since 2016?

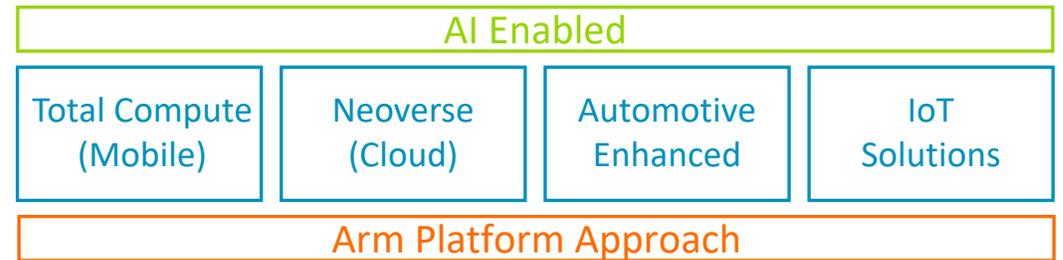
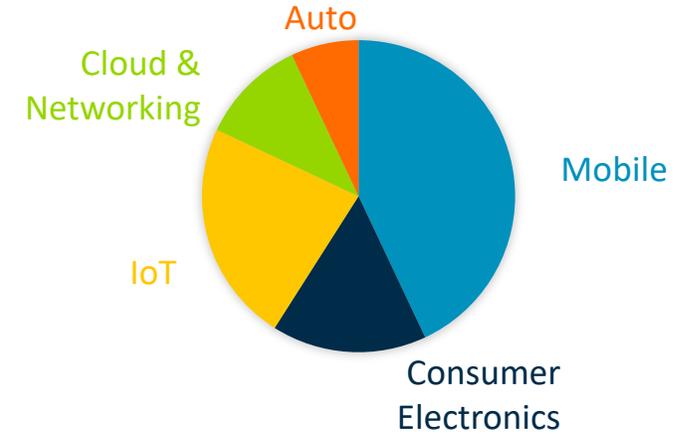
Then¹

General Purpose CPU



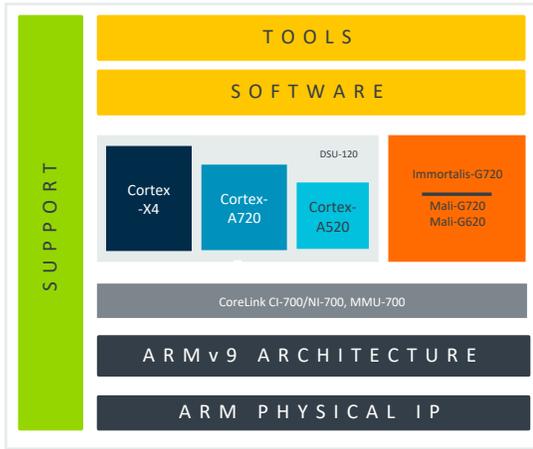
Now¹

MARKET SPECIFIC STRATEGY

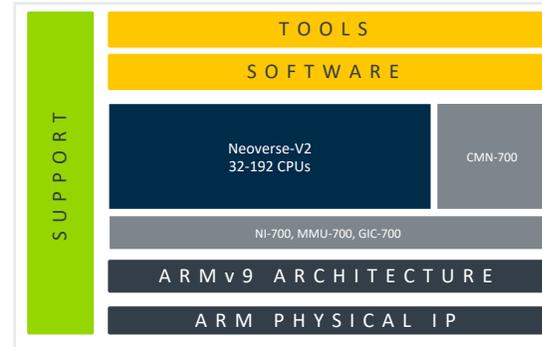


CPU and subsystems for every target end-market

Mobile – Total Compute Subsystem



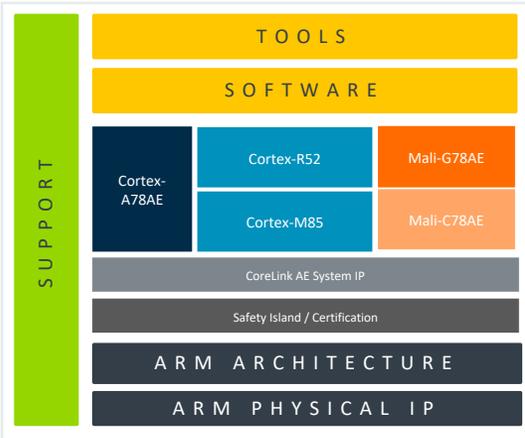
Infrastructure - Neoverse Compute Subsystem



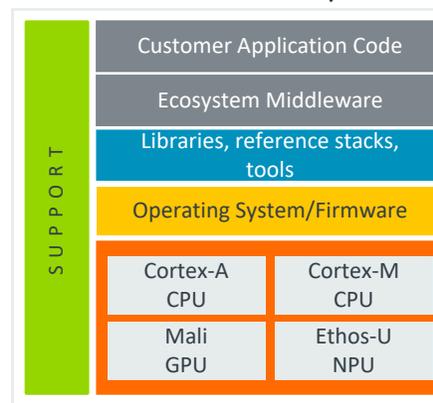
Up to
↑ 40%
Price/Performance



Automotive Enhanced Subsystem



IoT Solutions Subsystem



Consumer IoT



Industrial IoT



✓ Increasing performance

✓ Power efficiency

✓ Software ecosystem

Infrastructure – Progressing our Strategy

Arm continues to gain market share within the cloud compute market as our customers increasingly adopt and deploy Arm CPUs into cloud server chips driven by the need for power efficient computing.

Recent announcements

Neoverse Compute Subsystem (CSS) & Arm Total Design

Arm Neoverse CSS integrated and verified Arm IP allowing much faster time to market

Arm Total Design – complete ecosystem committed to frictionless delivery of custom SoCs based on Neoverse CSS



Cloud Compute

Microsoft announced Cobalt 100 for Azure data centers; 128 Arm Neoverse N2 cores developed with Neoverse CSS

Amazon announced Graviton4 for AWS; 96 Arm Neoverse V2 cores. 50% boost over Graviton3



High Performance Compute

Fujitsu announced 150 Armv9 core Monaka CPU for AI and cloud data centers.

Built on TSMC's 2nm, 3D chiplet design and disaggregated scalable architecture



Automotive – Progressing our Strategy

The automotive semiconductor market is one of Arm's fastest growing opportunities and where we have been rapidly gaining market share.

Recent announcements

Growth from Autonomous Driving

AMD introduces Versal AI Edge for low latency AI inference for intelligence in automated driving and robotics applications.

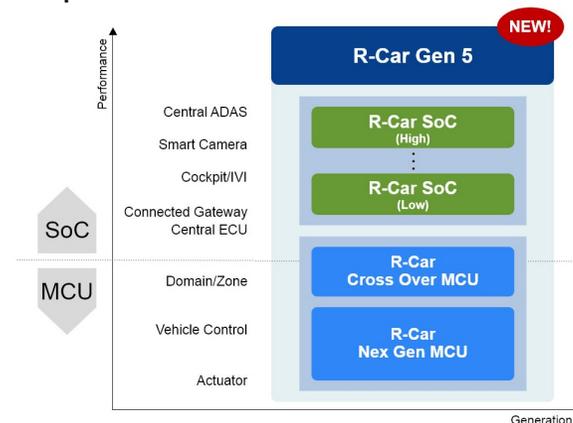
With Arm Cortex-A72 and Cortex-R5F running the software and supporting AMD's accelerators and programmable logic.



Growth from ADAS/IVI

Renesas announced next-gen R-Car for high computing performance and real-time processing requirements of ADAS.

Renesas has committed to making Arm-based products available to its customers.



Growth from automotive MCUs

NXP announced the S32M2 family of energy-efficient MCUs family for electric vehicles all based on Arm Cortex-M CPUs.

Allows for over-the-air software updates to extend software functionality and allow bug fixes



IoT/Embedded – Progressing our Strategy

Arm is already the leading CPU architecture for IoT devices and embedded computers. Billions of IoT and embedded devices are in use today gathering and analyzing vast new sources of data. Billions more will be deployed to help us solve complex issues, such as the managing the impact of climate change, improving urban infrastructure, accelerating supply chains, and making healthcare accessible to all.

Recent announcements

Growth in Low-End MCUs

Arm announced Cortex-M52, our smallest and most cost-efficient processor with the Helium vector processing extensions to accelerate ML/DSP



Growth in High-End MCUs

Renesas announced the world's most powerful family of MCUs, the RA8 series, based on the Arm Cortex-M85 processor.

Cortex-M85 integrates Arm Helium technology to accelerate AI/ML in edge devices.



Growth in Embedded PCs

Raspberry Pi5 was launched, double the performance of the previous version and based on Arm Cortex-A76 CPU.

In addition, Arm announced that it had become a strategic investor in Raspberry Pi.



Client – Progressing our Strategy

Our strategy is to develop and license more advanced technology such as CPUs based on its Armv9 architecture, and platforms that deliver additional functionality, higher performance, and higher energy efficiency in mobile and consumer computing devices. Arm’s customers and end device consumers continue to demand these latest and greatest advances.

Recent announcements

AI Smartphones

AI enabled smartphones based on the latest Arm Cortex-X4 are changing how we interact with our mobile devices.

Arm Cortex-X4 enables on device learnings, generative AI and LLM capabilities including image creation, live translation, and computational photography



Samsung Galaxy S24

Vivo iQoo 12

Xiaomi 14 Pro

Generative AI for edge devices

Google announced Gemini Nano for Arm based chips in mobile and CE devices; creates summarised transcripts of recordings and suggests replies for emails and messages

Compatible with ArmNN, Arm’s AI interface for Android that is already in 700m phones.



Energy-efficient virtual assistant

Arm revealed “Cookie” an energy efficient LLM that can run on 90% of current smartphones on just the CPU.

On a mid-range smartphone, Cookie runs at faster than the average human reading speed and can run on 90% of smartphones



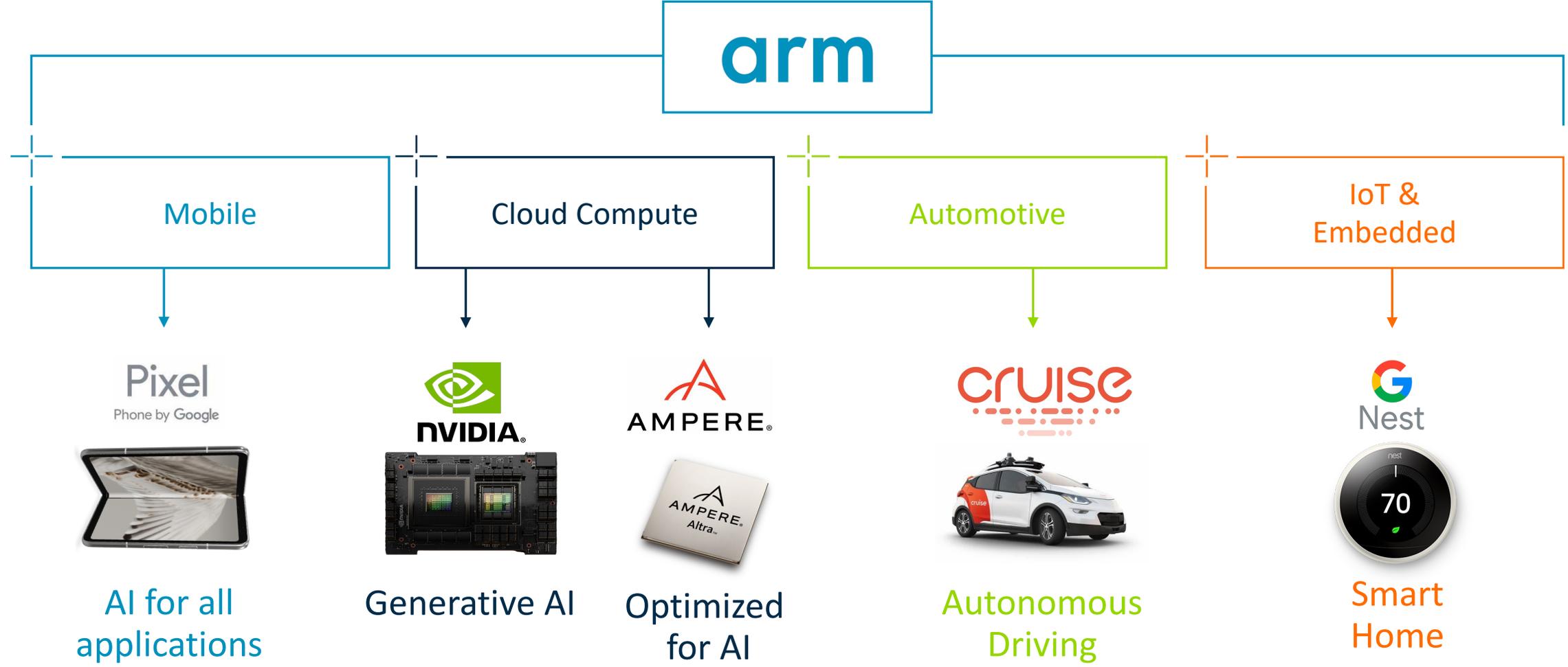
Cookie

Cookie is your virtual assistant, who is nice, kind, precise, and honest.

9.5 tokens/s

Can you explain Newton's First Law of Motion to me with an example?

AI on Arm is Everywhere



AI – Progressing our Strategy

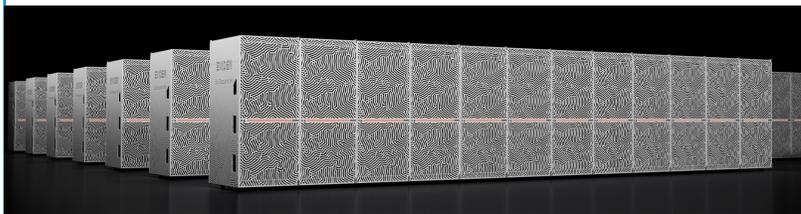
Arm is central to the acceleration of AI /ML workloads everywhere. Whether its large language models being trained in the cloud or inference models being deployed at the edge, the need for efficient computing resources has never been more important

Recent announcements

Cloud / HPC

JUPITER supercomputer in Germany will be powered by 24,000 Arm-based NVIDIA GH200 Grace Hopper chips to accelerate creation of foundational AI models.

Jupiter can deliver 90 exaflops, 45x the previous generation



Mobile

AI enabled smartphones based on the latest Arm Cortex-X4 are changing how we interact with our mobile devices.

Arm Cortex-X4 enables on device learnings, generative AI and LLM capabilities including image creation, live translation, and computational photography



Samsung Galaxy S24

Vivo iQoo 12

Xiaomi 14 Pro

IoT/Embedded

Arm announced Cortex-M52, the smallest, most area and cost-efficient processor for embedded AI-IoT applications

Utilising Arm Helium technology to accelerate DSP and ML algorithms for voice control, robotics and image processing



Mobile - Strong Tie Between CPU & Software

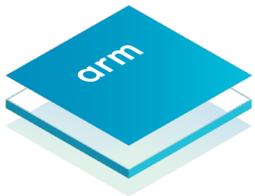


android



htc LG
NOKIA SONY

TEXAS INSTRUMENTS Qualcomm
BROADCOM



2009

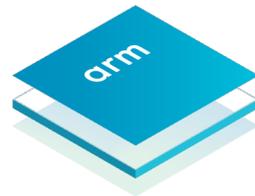


android



HUAWEI SAMSUNG
G

HISILICON Qualcomm
SAMSUNG MEDIATEK



2019

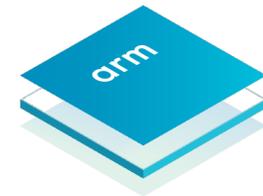


android



SAMSUNG G
mi xiaomi

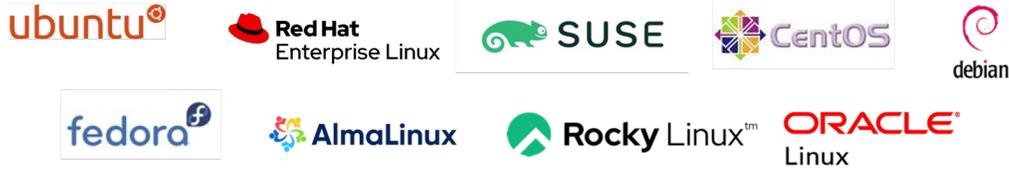
SAMSUNG Qualcomm
MEDIATEK



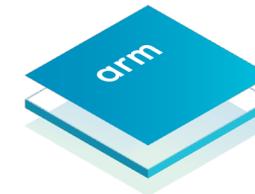
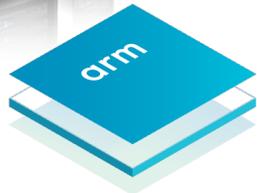
2023

Cloud and Automotive Follows the Same Trend

Arm is supported in all major Linux Cloud Distributions



^Covers 99% of production deployed distributions



Unparalleled Software Ecosystem

15M

Developers on Arm,
for Arm



1.5Bn

Ecosystem hours



10M+

Developer hours
1st decade of Armv8



30M+

Developer hours
1st decade of Armv9



android 



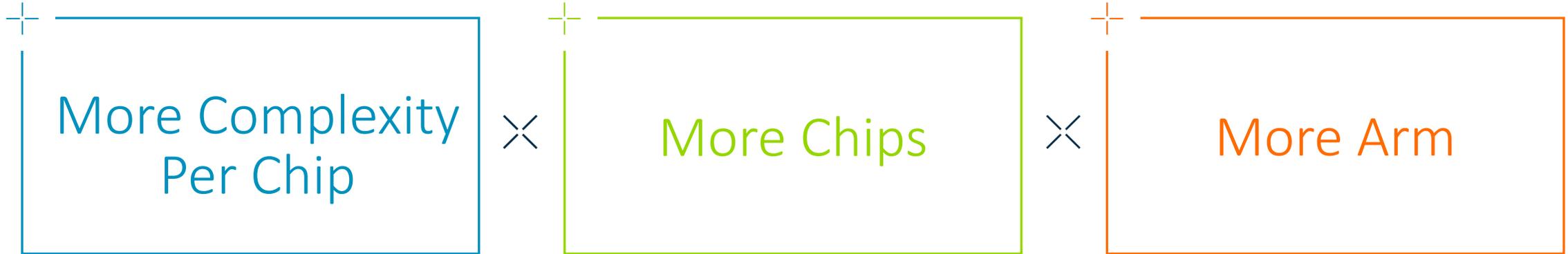
vmware®

WINDRV

Arm is the Ubiquitous Choice

	arm	X86	RISC-V
Ability to license	✓		✓
Energy efficiency	✓		✓
Compute performance	✓	✓	
Software ecosystem	✓	✓	
Standardization	✓	✓	
End-market solutions	All	PC / Server	Low-end embedded

Why Arm Continues to Grow

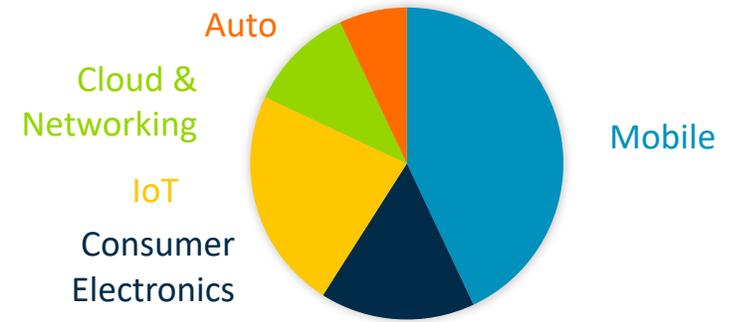


8 FYE 2016

192 FYE 2023

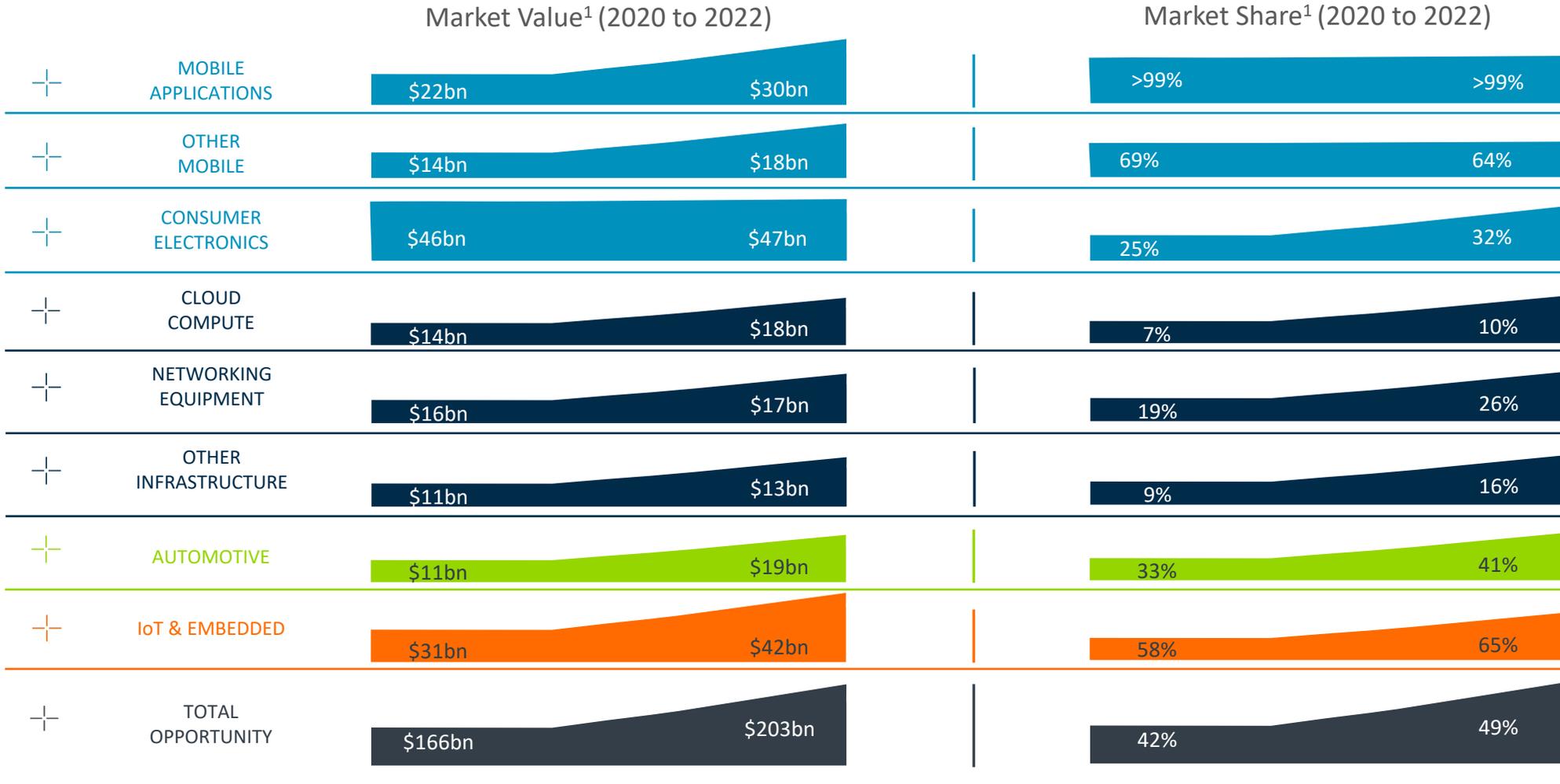
Number of cores per “high end” Arm-based chip

1.7x More
Increase in number of Arm-based chips shipped



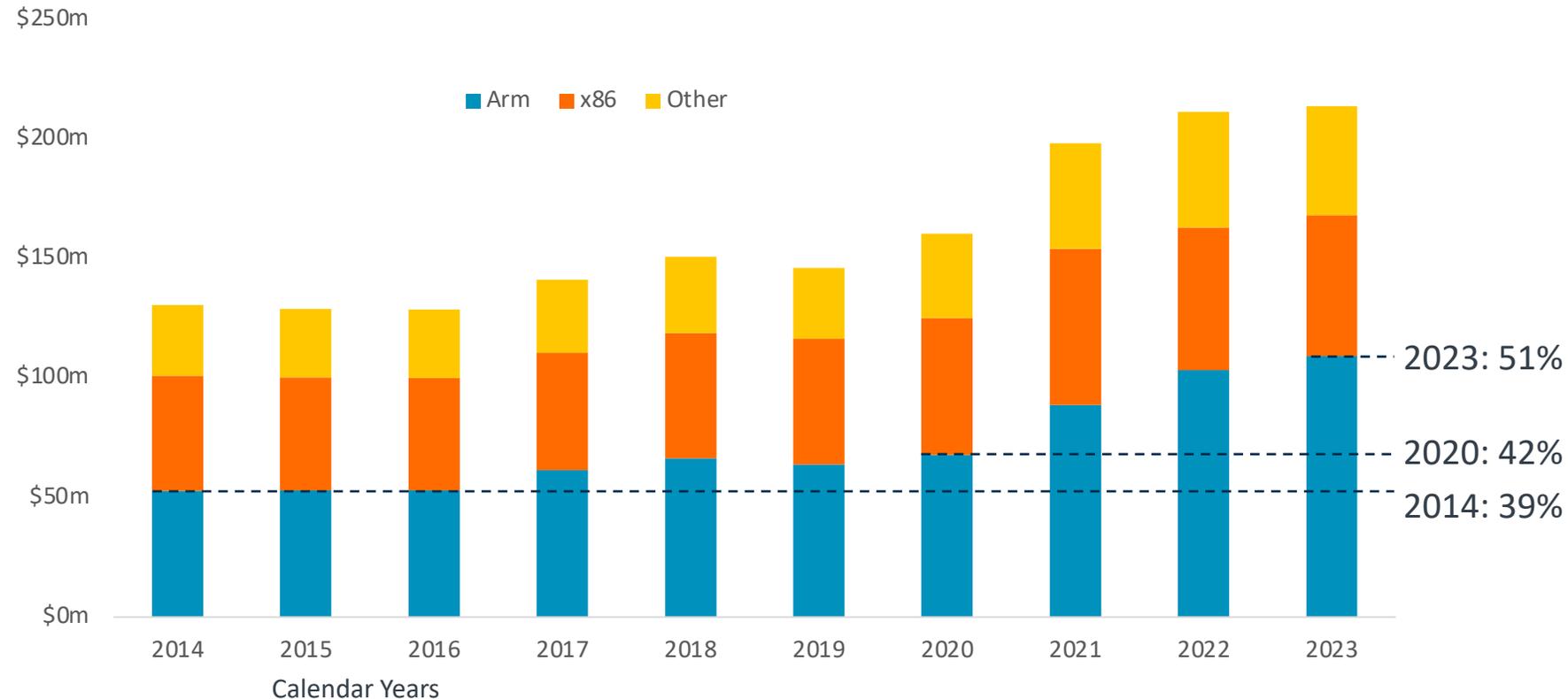
Royalty: Gaining Share in a Massive and Growing Market

Client
Infrastructure
Auto
IoT



Royalty Revenue: Arm is Gaining Share

Market Share by Chip Value



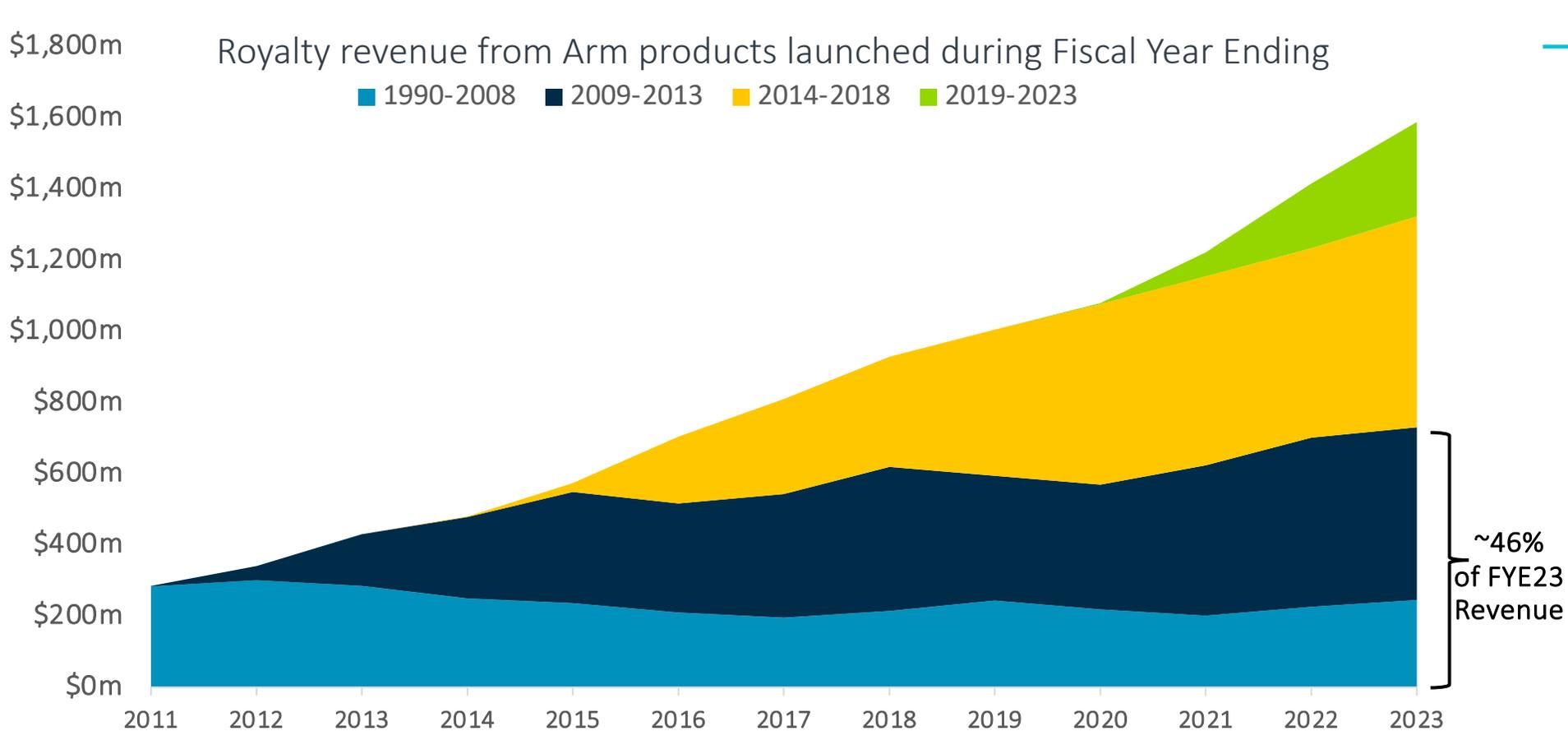
Other includes legacy and niche architectures such as:

* Proprietary architectures (68000, 80x51, AVR, Coldfire, PIC, PowerPC, RH850, etc.)

* Licensable and open-source architectures (Arc, Andes, Leon, MIPS, OpenPower, OpenRISC, RISC-V, Sparc, Tensilica, etc.)

Royalty Revenue Provides a Platform for Long-Term Growth

Royalty revenue can continue for many years or decades



Still collecting royalties on products developed in the early 1990's

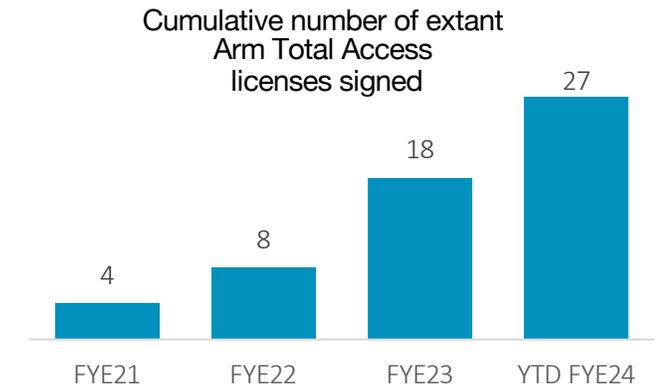
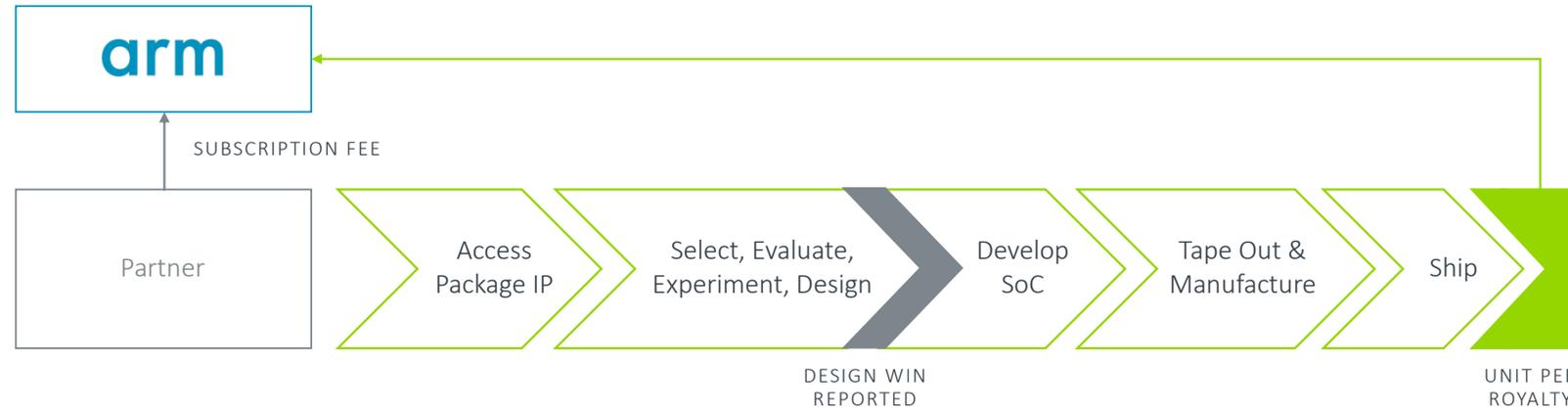
Long term visibility, near term predictability

~46% of FYE23 Revenue

Royalty-led Subscription Business Model

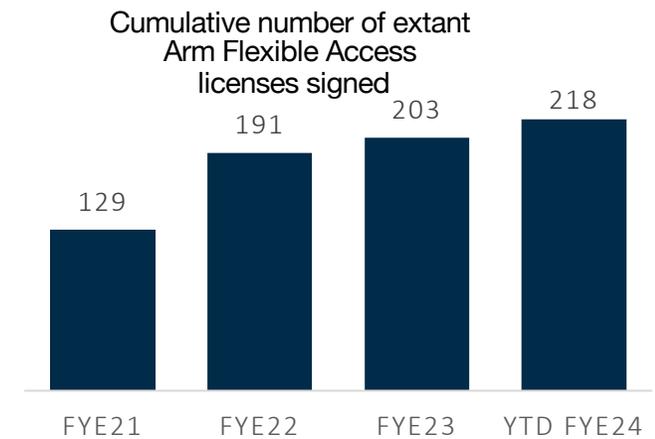
Arm Total Access

Long term subscription-based access to an extensive portfolio of more than 300 CPUs, GPUs and other IP including Arm's latest products



Arm Flexible Access

Low / no-cost subscription-based access to ~100 of Arm's most popular CPUs, GPUs and other IP
Customers are free to experiment with products contained in the package



License Revenue Growing Over Time

- + Arm signs a small number of high-value deals and many lower-value deals
- + A significant portion (approx. 40-60%) of the deal value may be recognized on signature
- + License revenue can be lumpy quarter to quarter
- + ACV is the value of a contract divided by the duration of the contract in years
- + ACV removes the variability from license revenue and also aligns more closely to cash paid to Arm

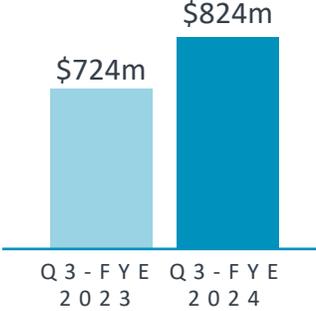


Arm's Financial Opportunity

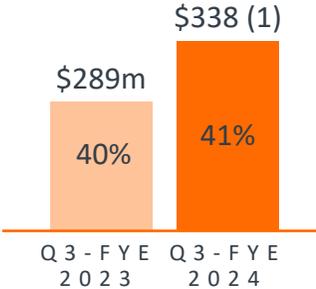
Strong revenue growth opportunity

Balancing investing for long term growth with best-in-class margins

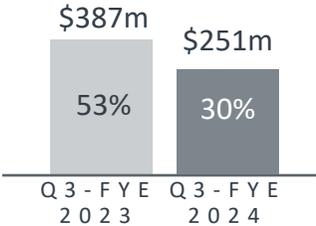
Robust cash generation



Revenues:
14% growth



Non-GAAP
operating profit
and margin



Non-GAAP FCF and
cash conversion from
revenue

1. Q3 FYE24 Non-GAAP operating income of \$338m includes \$23m of employer taxes related to equity-classified awards vesting within the quarter, net of the research and development tax credit associated with these taxes. From Q4 FYE24, we will be excluding these taxes from our Non-GAAP presentation. Excluding this effect, Q3 FYE24 Non-GAAP operating income results would have been \$361m, up 25% yoy, and Non-GAAP operating margin would have been 44%.



arm

Appendix

Environmental, Social and Governance

Using the power of technology to build a better world for everyone

Decarbonising compute

- + Arm's high performance, energy-efficient technology has the potential to help reduce emissions from billions of devices from sensors to servers
- + Arm is committed to achieving net-zero carbon emissions by 2030

Closing the digital divide

- + Extending the benefits of technology to people and areas not currently prioritized
- + Arm Flexible Access is enabling 100's of companies to gain access to Arm technology at lower costs
- + Arm Education helps to close the skills gap by supporting more than 10,000 computer engineering courses at over 2,500 universities since 2013

Intending to lead in corporate responsibility

- + Demonstrated through our values and responsible business practices
- + Continuously developing our sustainability strategies

Reconciliations: GAAP to Non-GAAP and Adjustments

Includes prospective change to Non-GAAP reporting

Arm Holdings plc
As of February 7, 2024



	Actual	Actual	Actual								
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	FY	FY	FY
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	31-Mar	31-Mar
	FYE22	FYE23	FYE23	FYE23	FYE23	FYE24	FYE24	FYE24	FYE21	FYE22	FYE23
<i>(in millions, except per share amounts)</i>											
GAAP to Non-GAAP Reconciliation (Unaudited) (4)											
Reconciliation of GAAP cost of sales to Non-GAAP cost of sales:											
Cost of sales	\$ (37)	\$ (25)	\$ (25)	\$ (29)	\$ (27)	\$ (31)	\$ (46)	\$ (36)	\$ (145)	\$ (131)	\$ (106)
<i>Adjusted for:</i>											
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	1	10	9	5
Share-based compensation cost (equity settled) (1)	(1)	—	—	1	1	6	19	8	2	1	2
Employer taxes related to equity-classified awards, net of the research and development tax credit associated with these taxes (5)	—	—	—	—	—	—	—	1	—	—	—
Non-GAAP cost of sales (5)	\$ (37)	\$ (23)	\$ (24)	\$ (27)	\$ (25)	\$ (24)	\$ (26)	\$ (26)	\$ (133)	\$ (121)	\$ (99)
Reconciliation of GAAP gross profit to Non-GAAP gross profit:											
Gross profit	\$ 620	\$ 667	\$ 605	\$ 695	\$ 606	\$ 644	\$ 760	\$ 788	\$ 1,882	\$ 2,572	\$ 2,573
<i>Adjusted for:</i>											
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	1	10	9	5
Share-based compensation cost (equity settled) (1)	(1)	—	—	1	1	6	19	8	2	1	2
Employer taxes related to equity-classified awards, net of the research and development tax credit associated with these taxes (5)	—	—	—	—	—	—	—	1	—	—	—
Non-GAAP gross profit (5)	\$ 620	\$ 669	\$ 606	\$ 697	\$ 608	\$ 651	\$ 780	\$ 798	\$ 1,894	\$ 2,582	\$ 2,580



Reconciliations: GAAP to Non-GAAP and Adjustments... cont'd

Arm Holdings plc
As of February 7, 2024

	Actual Q4 31-Mar FYE22	Actual Q1 30-Jun FYE23	Actual Q2 30-Sep FYE23	Actual Q3 31-Dec FYE23	Actual Q4 31-Mar FYE23	Actual Q1 30-Jun FYE24	Actual Q2 30-Sep FYE24	Actual Q3 31-Dec FYE24	Actual FY 31-Mar FYE21	Actual FY 31-Mar FYE22	Actual FY 31-Mar FYE23
<i>(in millions, except per share amounts)</i>											
GAAP to Non-GAAP Reconciliation (Unaudited) (4)											
Reconciliation of GAAP research and development operating expenses to Non-GAAP research and development operating expenses:											
Research and development	\$ (341)	\$ (218)	\$ (248)	\$ (286)	\$ (381)	\$ (337)	\$ (626)	\$ (432)	\$ (814)	\$ (995)	\$ (1,133)
<i>Adjusted for:</i>											
Share-based compensation cost (equity settled) (1)(2)(3)	5	1	(2)	16	23	96	343	139	22	19	38
Employer taxes related to equity-classified awards, net of the research and development tax credit associated with these taxes (5)	—	—	—	—	—	—	2	13	—	—	—
Other operating income (expenses), net	—	—	—	—	—	—	—	—	1	—	—
Non-GAAP research and development operating expenses (5)	\$ (336)	\$ (217)	\$ (250)	\$ (270)	\$ (358)	\$ (241)	\$ (281)	\$ (280)	\$ (791)	\$ (976)	\$ (1,095)
Reconciliation of GAAP selling, general and administrative operating expenses to Non-GAAP selling, general and administrative operating expenses:											
Selling, general and administrative	\$ (321)	\$ (153)	\$ (172)	\$ (163)	\$ (274)	\$ (196)	\$ (290)	\$ (216)	\$ (826)	\$ (897)	\$ (762)
<i>Adjusted for:</i>											
Acquisition-related intangible asset amortization	—	—	—	—	—	—	—	—	1	—	—
Share-based compensation cost (equity settled) (1)(2)(3)	(1)	(8)	1	13	14	44	147	49	17	10	20
Employer taxes related to equity-classified awards, net of the research and development tax credit associated with these taxes (5)	—	—	—	—	—	—	1	9	—	—	—
Public company readiness costs	6	8	13	12	9	14	27	1	1	11	42
Other operating income (expenses), net	—	—	—	—	—	—	—	—	4	1	—
Costs associated with disposal activities	1	—	—	—	—	—	—	—	1	—	—
Non-GAAP selling, general and administrative operating expenses (5)	\$ (315)	\$ (153)	\$ (158)	\$ (138)	\$ (251)	\$ (138)	\$ (115)	\$ (157)	\$ (802)	\$ (875)	\$ (700)
Reconciliation of GAAP impairment of long-lived assets operating expenses to Non-GAAP impairment of long-lived assets operating expenses:											
Impairment of long-lived assets	\$ (16)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (3)	\$ (21)	\$ —
<i>Adjusted for:</i>											
Impairment of long-lived assets	16	—	—	—	—	—	—	—	3	21	—
Non-GAAP impairment of long-lived assets operating expenses	\$ —										
Reconciliation of GAAP disposal, restructuring and other operating expenses, net to Non-GAAP disposal, restructuring and other operating expenses, net:											
Disposal, restructuring and other operating expenses, net	\$ (26)	\$ (2)	\$ (2)	\$ (2)	\$ (1)	\$ —	\$ —	\$ (6)	\$ —	\$ (26)	\$ (7)
<i>Adjusted for:</i>											
Other operating income (expenses), net	—	—	—	—	—	—	—	6	—	—	—
Costs associated with disposal activities	—	(1)	2	2	1	—	—	—	3	—	4
Restructuring and related costs	26	1	—	—	—	—	—	—	—	26	1
Non-GAAP disposal, restructuring and other operating expenses, net	\$ —	\$ (2)	\$ —	\$ 3	\$ —	\$ (2)					

Reconciliations: GAAP to Non-GAAP and Adjustments... cont'd

Arm Holdings plc
As of February 7, 2024

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	FY	FY	FY
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	31-Mar	31-Mar
	FYE22	FYE23	FYE23	FYE23	FYE23	FYE24	FYE24	FYE24	FYE21	FYE22	FYE23
<i>(in millions, except per share amounts)</i>											
GAAP to Non-GAAP Reconciliation (Unaudited) (4)											
Reconciliation of GAAP operating income to Non-GAAP operating income:											
Operating income (loss)	\$ (84)	\$ 294	\$ 183	\$ 244	\$ (50)	\$ 111	\$ (156)	\$ 134	\$ 239	\$ 633	\$ 671
<i>Adjusted for:</i>											
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	1	11	9	5
Cost of sales	1	2	1	1	1	1	1	1	10	9	5
Selling, general and administrative	—	—	—	—	—	—	—	—	1	—	—
Share-based compensation cost (equity settled) (1)(2)(3)	3	(7)	(1)	30	38	146	509	196	41	30	60
Cost of sales	(1)	—	—	1	1	6	19	8	2	1	2
Research and development	5	1	(2)	16	23	96	343	139	22	19	38
Selling, general and administrative	(1)	(8)	1	13	14	44	147	49	17	10	20
Employer taxes related to equity-classified awards, net of the research and development tax credit associated with these taxes (5)	—	—	—	—	—	—	3	23	—	—	—
Cost of sales	—	—	—	—	—	—	—	1	—	—	—
Research and development	—	—	—	—	—	—	2	13	—	—	—
Selling, general and administrative	—	—	—	—	—	—	1	9	—	—	—
Public company readiness costs	6	8	13	12	9	14	27	1	1	11	42
Selling, general and administrative	6	8	13	12	9	14	27	1	1	11	42
Other operating income (expenses), net	—	—	—	—	—	—	—	6	5	1	—
Research and development	—	—	—	—	—	—	—	—	1	—	—
Selling, general and administrative	—	—	—	—	—	—	—	—	4	1	—
Other operating income (expenses), net	—	—	—	—	—	—	—	6	—	—	—
Costs associated with disposal activities	1	(1)	2	2	1	—	—	—	4	—	4
Selling, general and administrative	1	—	—	—	—	—	—	—	1	—	—
Costs associated with disposal activities	—	(1)	2	2	1	—	—	—	3	—	4
Impairment of long-lived assets	16	—	—	—	—	—	—	—	3	21	—
Restructuring and related costs	26	1	—	—	—	—	—	—	—	26	1
Non-GAAP operating income (loss) (5)	\$ (31)	\$ 297	\$ 198	\$ 289	\$ (1)	\$ 272	\$ 384	\$ 361	\$ 304	\$ 731	\$ 783

Reconciliations: GAAP to Non-GAAP and Adjustments... cont'd

Arm Holdings plc
As of February 7, 2024

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	FY	FY	FY
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	31-Mar	31-Mar
	FYE22	FYE23	FYE23	FYE23	FYE23	FYE24	FYE24	FYE24	FYE21	FYE22	FYE23
<i>(in millions, except per share amounts)</i>											
Reconciliation of GAAP net income from continuing operations to Non-GAAP net income from continuing operations:											
Net income (loss) from continuing operations	\$ (29)	\$ 225	\$ 114	\$ 182	\$ 3	\$ 105	\$ (110)	\$ 87	\$ 544	\$ 676	\$ 524
<i>Adjusted for operating items:</i>											
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	1	11	9	5
Share-based compensation cost (equity settled) (1)(2)(3)	3	(7)	(1)	30	38	146	509	196	41	30	60
Employer taxes related to equity-classified awards, net of the research and development tax credit associated with these taxes (5)	—	—	—	—	—	—	3	23	—	—	—
Restructuring and related costs	26	1	—	—	—	—	—	—	—	26	1
Public company readiness costs	6	8	13	12	9	14	27	1	1	11	42
Other operating income (expenses), net	—	—	—	—	—	—	—	6	5	1	—
Costs associated with disposal activities	1	(1)	2	2	1	—	—	—	4	—	4
Impairment of long-lived assets	16	—	—	—	—	—	—	—	3	21	—
<i>Adjusted for non-operating items:</i>											
(Income) loss from equity method investments, net	(41)	14	60	6	(35)	7	5	1	(476)	(141)	45
Gain on disposal of business	—	—	—	—	(4)	—	—	—	—	—	(4)
Pre-tax total non-GAAP adjustments	12	17	75	51	10	168	545	228	(411)	(43)	153
Income tax effect on non-GAAP adjustments	7	(6)	(11)	(8)	5	(27)	(57)	9	74	30	(20)
Non-GAAP net income (loss) from continuing operations (5)	\$ (10)	\$ 236	\$ 178	\$ 225	\$ 18	\$ 246	\$ 378	\$ 324	\$ 207	\$ 663	\$ 657
Non-GAAP net income (loss) from continuing operations per share attributable to ordinary shareholders											
Basic	(0.01)	0.23	0.17	0.22	0.02	0.24	0.37	0.32	0.20	0.65	0.64
Diluted	(0.01)	0.23	0.17	0.22	0.02	0.24	0.36	0.31	0.20	0.65	0.64
Weighted average ordinary shares outstanding (millions)											
Basic	1,025.2	1,025.2	1,025.2	1,025.2	1,025.2	1,025.2	1,025.3	1,026.9	1,025.2	1,025.2	1,025.2
Diluted	1,025.2	1,025.9	1,027.0	1,027.9	1,029.2	1,028.6	1,043.0	1,048.9	1,025.2	1,025.2	1,027.5

Reconciliations: GAAP to Non-GAAP and Adjustments... cont'd

Arm Holdings plc
As of February 7, 2024

	<i>Actual</i>										
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	FY	FY	FY
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	31-Mar	31-Mar
	FYE22	FYE23	FYE23	FYE23	FYE23	FYE24	FYE24	FYE24	FYE21	FYE22	FYE23

(in millions, except per share amounts)

- (1) For non-GAAP purposes, we adjust for those awards that are liability-classified but equity settled after the initial public offering. Liability-classified awards are remeasured at the end of each reporting period through the date of settlement to ensure that the expense recognized for each award is equivalent to the amount to be paid in cash or equity settled after the initial public offering.
- (2) A summary of share-based compensation cost recognized on the Condensed Consolidated Income Statements is as follows:
- | | | | | | | | | | | | |
|-------------------------------------|-----|----|----|-----|-----|-----|-----|-----|----|----|-----|
| Cost of sales | — | 1 | 2 | 4 | 5 | 6 | 20 | 8 | 2 | 1 | 12 |
| Research and development | 4 | 6 | 32 | 65 | 109 | 103 | 349 | 142 | 23 | 7 | 212 |
| Selling, general and administrative | (5) | 6 | 12 | 34 | 50 | 49 | 149 | 49 | 29 | 18 | 102 |
| Total | (1) | 13 | 46 | 103 | 164 | 158 | 518 | 199 | 54 | 26 | 326 |
- (3) A summary of share-based compensation liability-classified cost recognized on the Condensed Consolidated Income Statements is as follows:
- | | | | | | | | | | | | |
|-------------------------------------|-----|----|----|----|-----|----|---|---|----|------|-----|
| Cost of sales | 1 | 1 | 2 | 3 | 4 | — | 1 | — | — | — | 10 |
| Research and development | (1) | 5 | 34 | 49 | 86 | 7 | 6 | 3 | 1 | (12) | 174 |
| Selling, general and administrative | (4) | 14 | 11 | 21 | 36 | 5 | 2 | — | 12 | 8 | 82 |
| Total | (4) | 20 | 47 | 73 | 126 | 12 | 9 | 3 | 13 | (4) | 266 |
- (4) This should be read in conjunction with the Shareholder Letter for the third quarter of the fiscal year ending March 31, 2024 which will be available on the Investor Relations section of Arm's website. For more information and definitions of the Non-GAAP measures see the "Key Financial and Operating Metrics" section in the Shareholder Letter. In addition to disclosing results determined in accordance with generally accepted accounting principles, or GAAP, certain of the results and financial information of Arm included in the Historical Quarters Datasheet may also disclose certain non-GAAP financial measures. Non-GAAP financial measures are presented for supplemental information purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may not align with similar financial measures presented by our competitors, which may limit the ability of investors to assess our performance relative to certain peer companies. Investors are encouraged to review the reconciliation of non-GAAP financial measures contained within the Historical Quarters Matrix with their most directly comparable GAAP financial results. We believe these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our results of operations, as well as provide a useful measure for period-to-period comparisons of our business performance.
- (5) Employer taxes related to equity-classified awards, net of the research and development tax credit associated with these taxes have been recast in this Historical Quarters Datasheet for trend purposes although the Shareholder Letter for the third quarter of the fiscal year ended March 31, 2024 does not reflect this change.