

Arm Holdings plc
Q2 FYE27
Investor Presentation

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https://investors.arm.com

November 4, 2026

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Non-GAAP Financial Measures

In addition to disclosing results determined in accordance with generally accepted accounting principles, or GAAP, Arm utilizes, and this presentation includes, certain non-GAAP financial measures that differ from measures calculated in accordance with GAAP. Arm's non-GAAP financial measures include non-GAAP cost of sales, non-GAAP gross profit (loss), non-GAAP gross margin, non-GAAP research and development operating expenses, non-GAAP selling, general and administrative operating expenses, non-GAAP total operating expenses, non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP income (loss) from equity investments, net, non-GAAP interest income, net, non-GAAP other non-operating income (loss), net, non-GAAP income (loss) before income taxes, non-GAAP income tax benefit (expense), non-GAAP net income (loss), non-GAAP basic and diluted net income per share attributable to ordinary shareholders, non-GAAP free cash flow, and non-GAAP free cash flow for the trailing twelve months. Arm believes these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating its results of operations, as well as provide a useful measure for period-to-period comparisons of its business performance. Moreover, Arm has included these non-GAAP financial measures because they are key measurements used by its management internally to make operating decisions, including those related to analyzing operating expenses, evaluating performance, and performing strategic planning and annual budgeting. Arm believes that the presentation of its non-GAAP financial measures, when viewed holistically, is helpful to investors in assessing the consistency and comparability of its performance in relation to prior periods and facilitates comparisons of its financial performance relative to its competitors, particularly with respect to competitors that present similar non-GAAP financial measures in addition to their GAAP results.

Non-GAAP financial measures are presented for supplemental financial purposes only, should not be considered a substitute for financial measures prepared in accordance with GAAP, and may not align with similar financial measures presented by Arm's competitors, which may limit the ability of investors to assess Arm's performance relative to certain peer companies.

Non-GAAP financial measures (other than non-GAAP free cash flow and non-GAAP free cash flow TTM) presented herein exclude share-based compensation, or SBC, cost associated with equity-classified awards where Arm's intent is to issue equity upon vesting (in lieu of cash settlement), employer taxes related to SBC equity-classified awards, net of the research and development, or R&D, tax incentives associated with these taxes, acquisition-related expenses, (income) loss from equity investments, net, and income tax effect on non-GAAP adjustments. Non-GAAP free cash flow and non-GAAP free cash flow TTM exclude purchases of property and equipment, purchases of intangible assets and payment of intangible asset obligations. Arm excludes these items from its non-GAAP financial measures because they are non-cash or non-recurring in nature, or because the amount and timing of these items is unpredictable and not driven by core results of operations, which renders comparisons with prior periods and competitors less meaningful.

Investors should consider non-GAAP financial measures alongside other financial performance measures, including operating income, net income and Arm's other GAAP results. A reconciliation of the non-GAAP financial measures presented in this presentation to the most directly comparable GAAP measure is included at the end of this presentation.

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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Q2 FYE27: Highlights

OPERATING HIGHLIGHTS

$1,443m
Total revenue up 27% YoY

$774m
Non-GAAP Operating Expenses

$1,096m
Trailing 12 Months Non-GAAP FCF

INNOVATION HIGHLIGHTS

+375bn Arm-based chips shipped

Cumulative number of Arm-based chips since 1990. Our volume has created a base for the largest ecosystem in the semiconductor industry.

Strong Arm AGI CPU demand turning into purchase orders

Arm is now more confident in ability to achieve up to $2bn of chip revenue across FYE27 & FYE28

Compute Subsystem gains traction

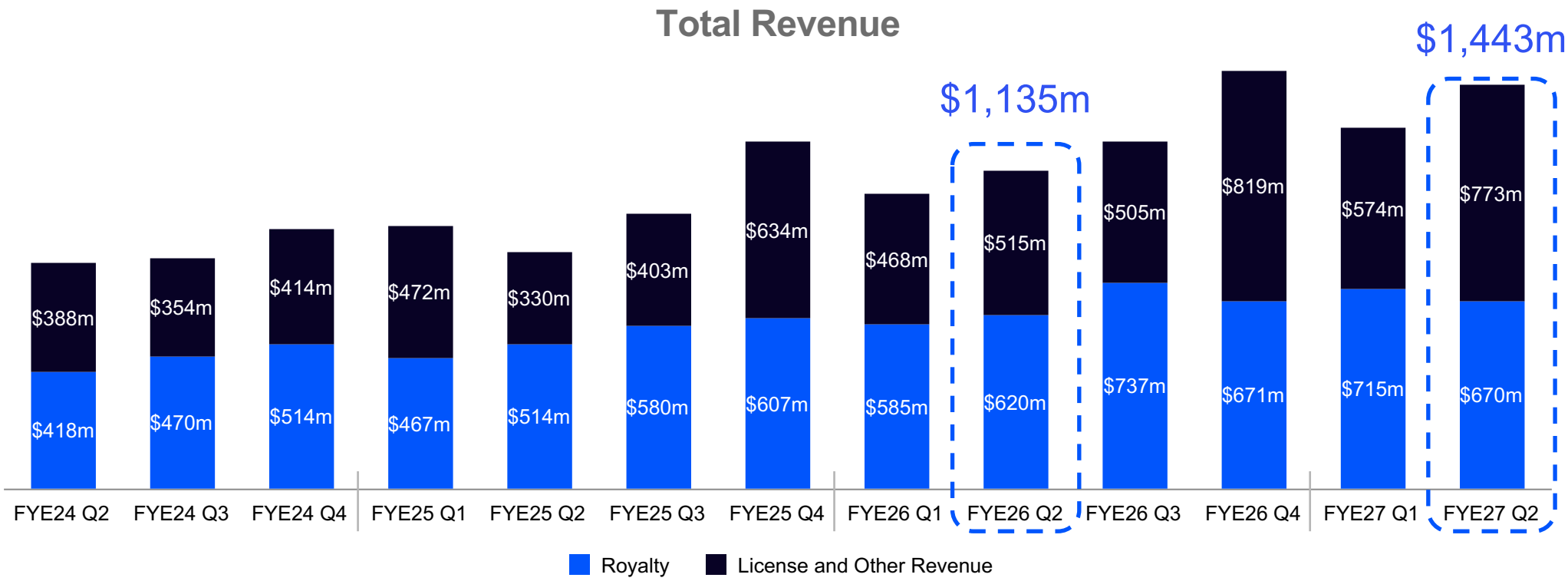
Arm signed another four CSS licenses in the quarter, for chips that will be used in data centers and smartphones

See appendix for reconciliation of Non-GAAP metrics to the most directly comparable GAAP metrics.

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Q2 FYE27: Licensing and royalty revenues

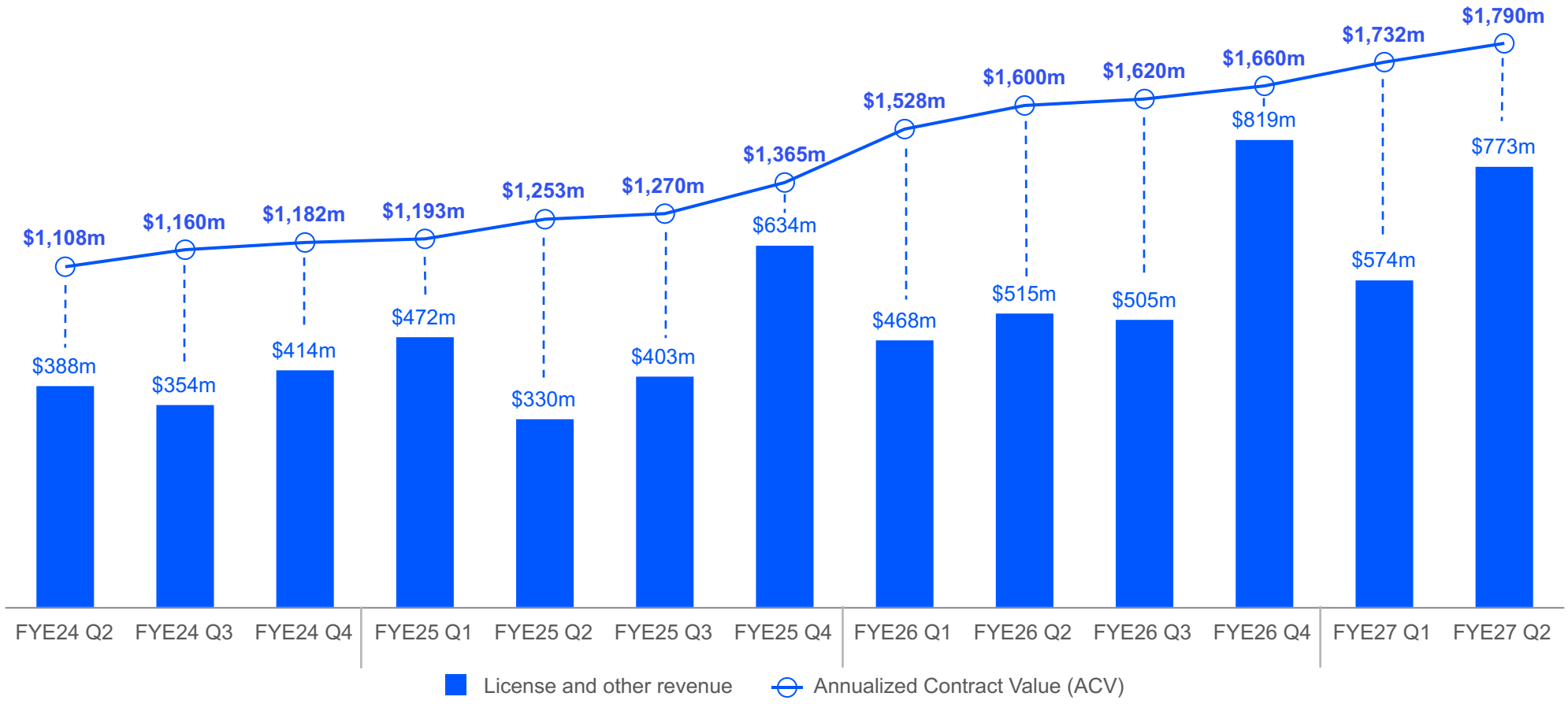
- Total revenue: $1,443 up 27% YoY
- Royalty revenue: $670 up 8% YoY driven by the continued adoption of Arm technology with higher royalty rates per chip, such as Armv9 architecture and Arm CSS, and increased deployment of Arm-based chips in data centers. This was partially offset by the impact of memory pricing on the smartphone market.
- License and other revenue: $773 up 50% YoY driven by continued strong demand for Arm IP, as well as fluctuation in the timing and size of multiple high-value license agreements and contributions from backlog



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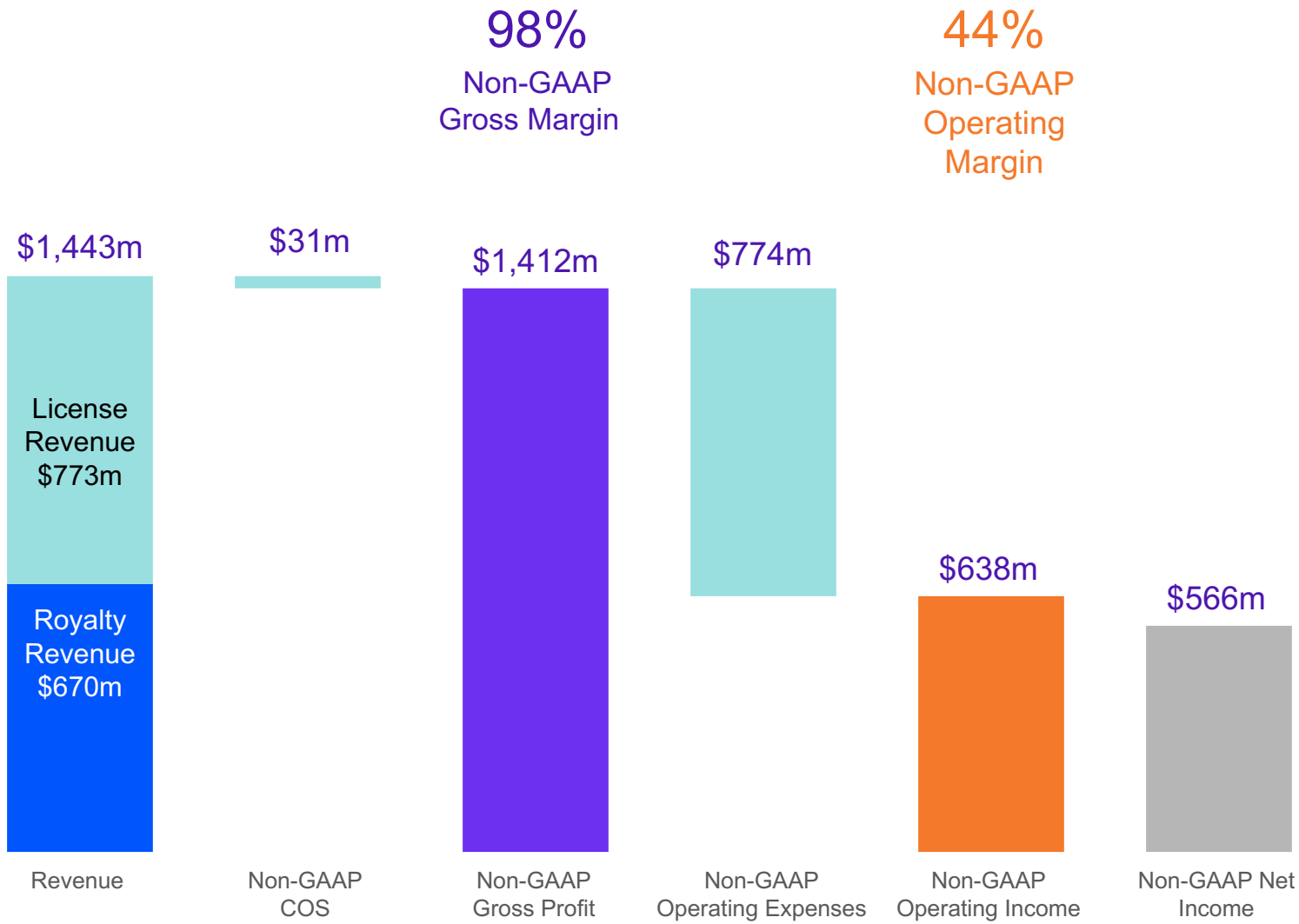
Q2 FYE27: Annualized Contract Value

- Annualized contract value, a metric for normalized license and other revenue, increased 12% YoY in Q2



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Q2 FYE27: From Revenues to Profits



Notes:
1. Depreciation and amortization for Q2 FYE27 was $81m
2. See appendix for reconciliation of Non-GAAP metrics to the most directly comparable GAAP metrics.

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Near-Term Guidance

	Q3 FYE27
Revenue ($m)	$1,540bn +/- $50m
Non-GAAP Operating Expense ($m)[1]	~$825m
Non-GAAP fully diluted earnings per share ($)[1]	$0.56 +/- $0.04

(1) For more information and definitions of the non-GAAP measures see the “Key Financial and Operating Metrics” section of our most recent Shareholder Letter, available at https://investors.arm.com/. A reconciliation of each of the projected non-GAAP operating expense and non-GAAP fully diluted earnings per share, which are forward-looking non-GAAP financial measures, to the most directly comparable GAAP financial measure, is not provided because Arm is unable to provide such reconciliation without unreasonable effort. The inability to provide each reconciliation is due to the unpredictability of the amounts and timing of events affecting the items we exclude from the non-GAAP measure.

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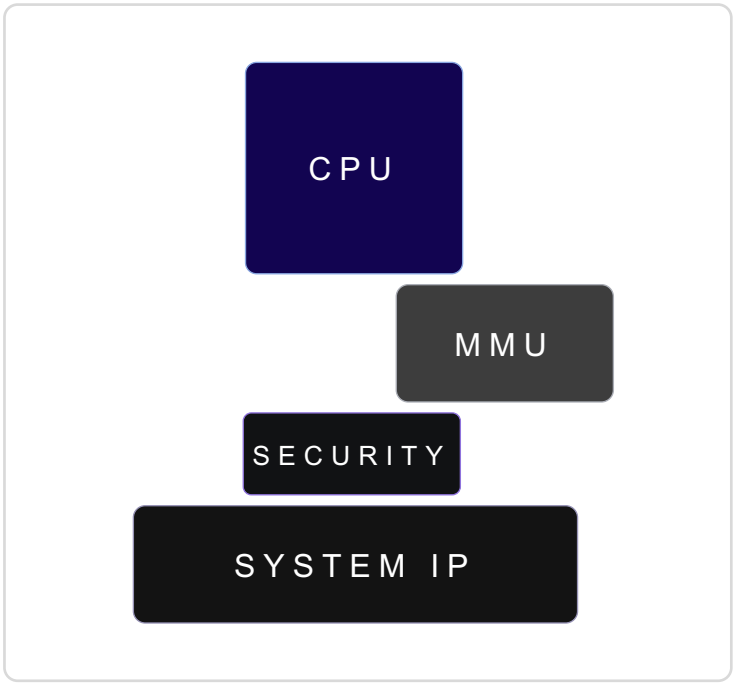
Expanding Arm's product mix and market opportunity



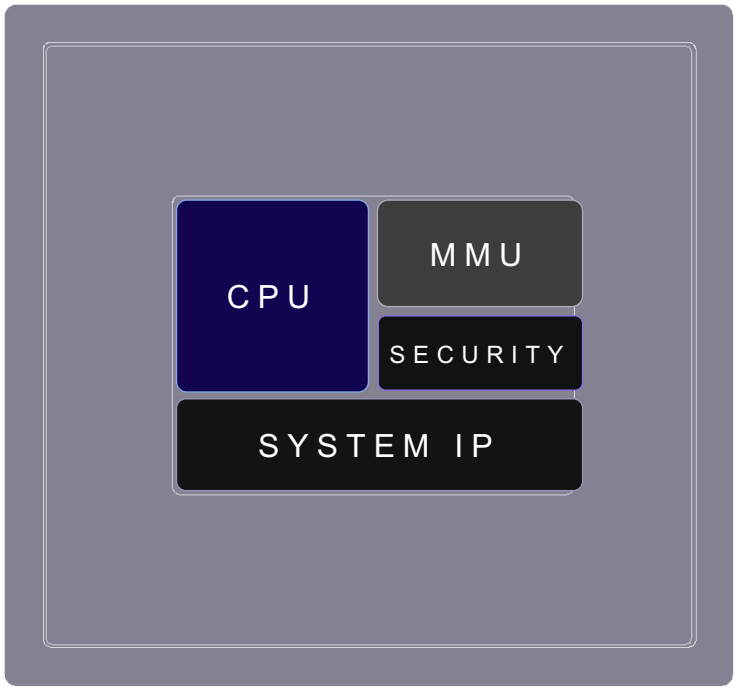
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Arm has expanded its product mix and market opportunity

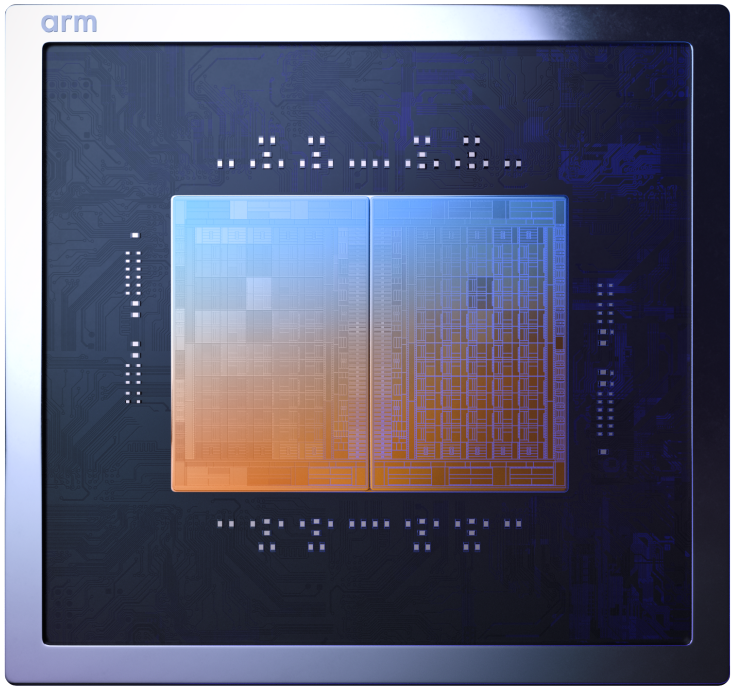
IP Portfolio	CSS Platform	Silicon
More Armv9 CPUs	Higher royalty (2x Armv9 CPU)	Product & Market Expansion



Performance per watt



Integrated & validated systems

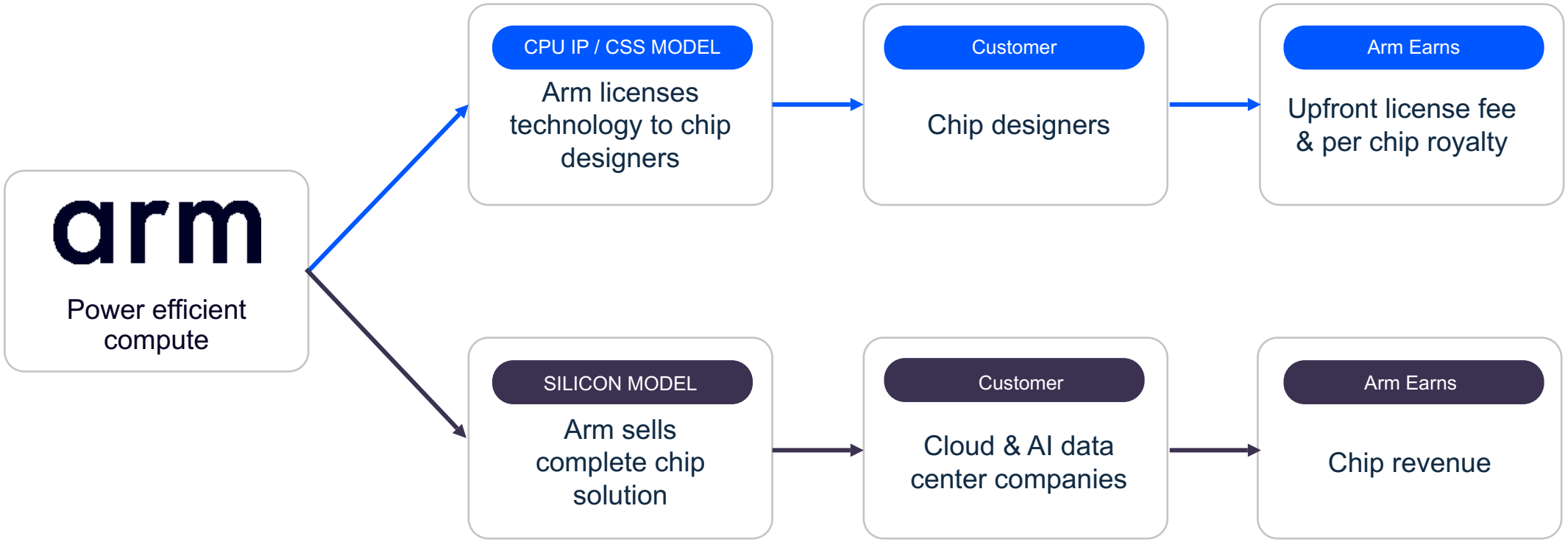


Optimized chip family
for cloud and AI data centers

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Arm business model: Complementary routes to monetizing compute

- Arm IP and CSS is licensed to companies designing chips
- Arm receives an upfront license fee and a royalty on chips that contain its technology
- Arm AGI CPU is sold directly to companies building out data centers



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Revenue growth from industry growth, share gains and more content

More Chips

Semiconductor industry revenue has grown at a ~10% CAGR over past ten years and CPU related revenue is forecasted to grow at a CAGR of ~12% to 2030[1]

+

More Share Gains

Arm is gaining market share in growing end markets

+

More Arm Technology

More advanced workloads (e.g. inference and agentic AI) perform better combined with Arm's latest technology, driving royalty rate per chip

Notes:
1. Arm internal forecast based on third-party analyst data.

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Arm’s opportunity spans three areas with shared growth drivers

Each benefit from market growth, share gains, Armv9 & CSS platforms driving royalty rates

Cloud AI:

Driving the infrastructure backbone of AI growth

Cloud



Enterprise



Wireless & Edge



Edge AI:

Accelerating AI in consumer electronics and IoT

Intelligent Edge



Personal AI Computing



PCs and Tablets



Physical AI:

Bringing intelligence and autonomy to vehicles & robotics

Autonomous and AI-defined vehicles

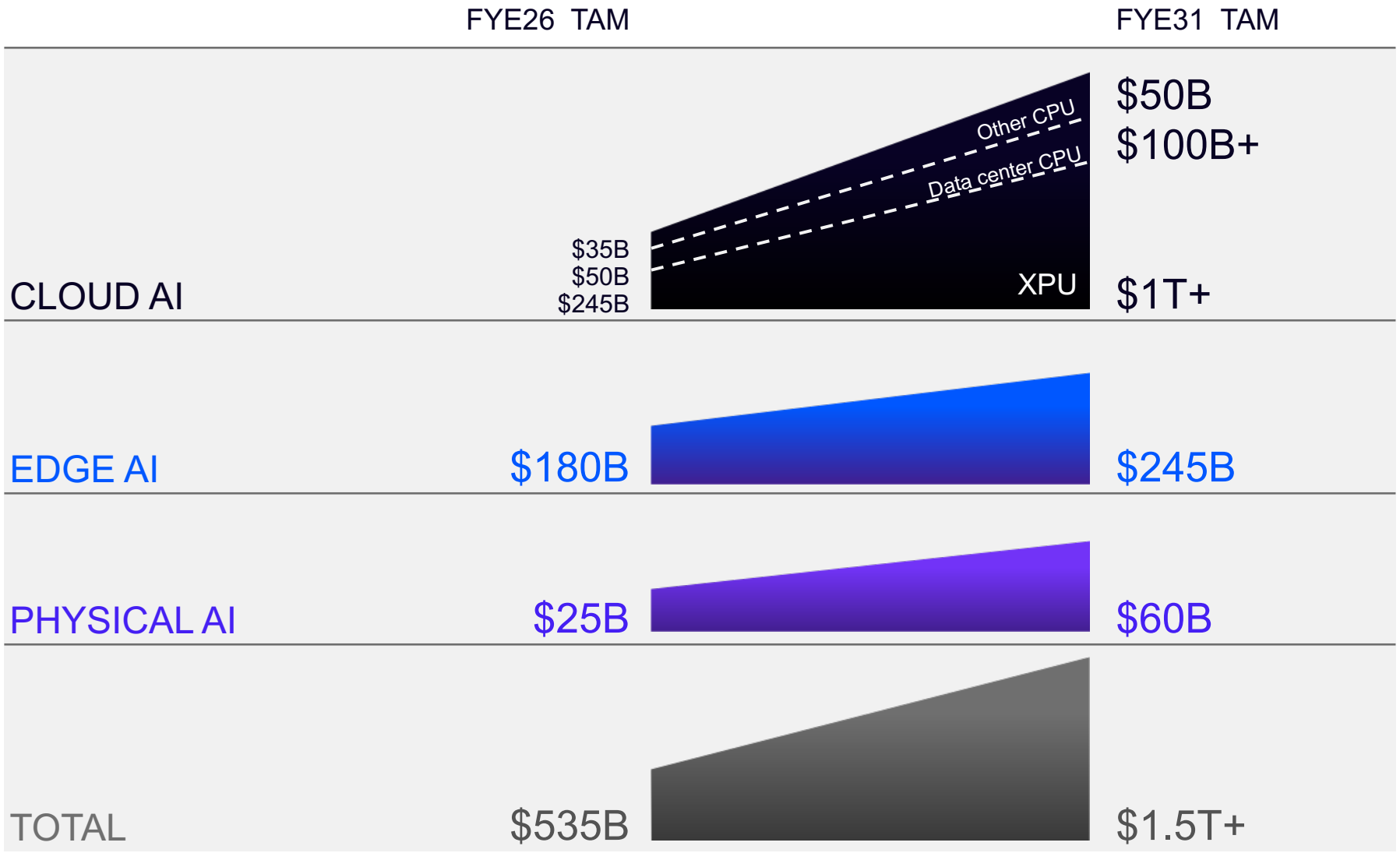


Robotics



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Massive and growing semiconductor market



Future market sizes are Arm's internal estimates based on third-party research, customer feedback, and management expectations as of March 2026.

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Arm AGI CPU expands our opportunity in Cloud AI TAM



40x

opportunity increase FYE26 to FYE31

Future market sizes are Arm's internal estimates based on third-party research, customer feedback, and management expectations as of March 2026.

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Agentic AI changes everything

Accelerators generate tokens, CPUs orchestrate, agents continuously drive the system

- From answers to actions:

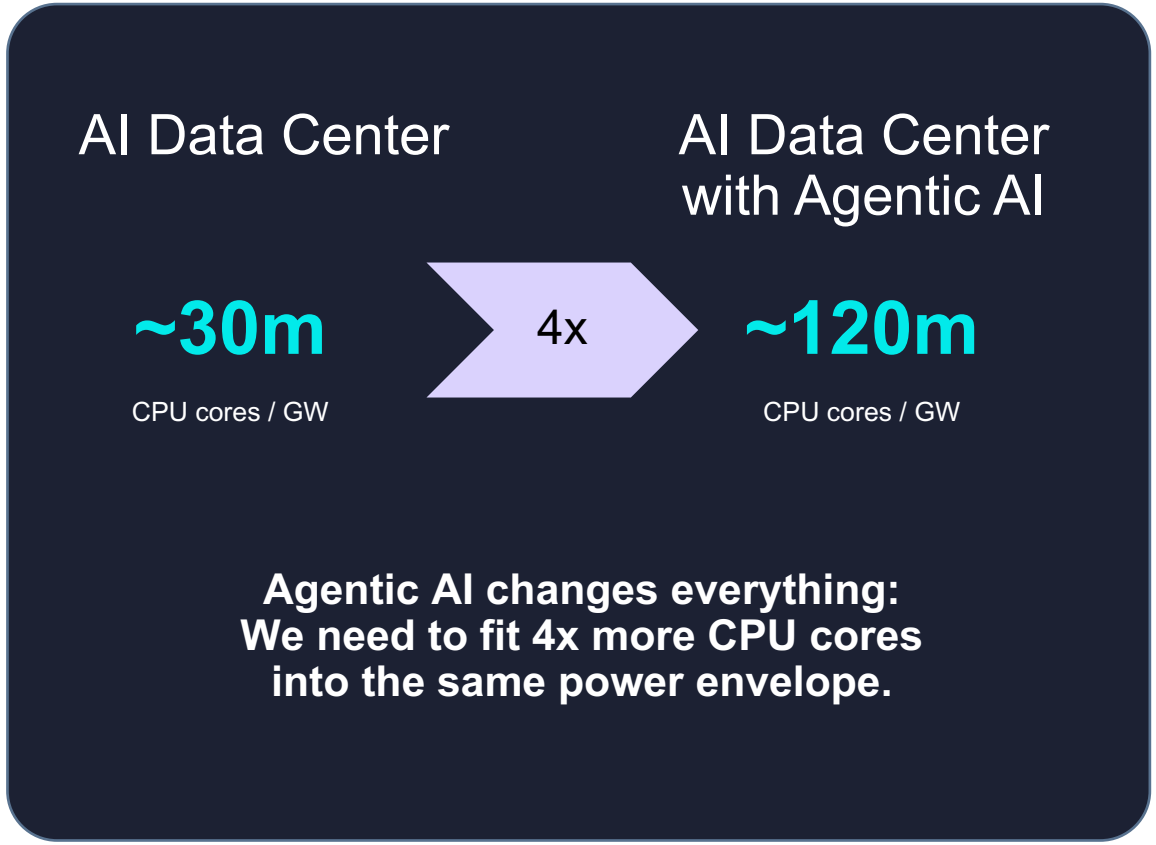
  Agents do not just answer a prompt; they execute workflows asynchronously and continuously.

- >15x more requests per user:

  Agent workloads generate far more token requests than humans as they run 24/7.

- The bottleneck shifts to the CPU:

  As workloads scale CPUs must schedule, route, coordinate and feed the accelerators and that orchestration can be swamped.

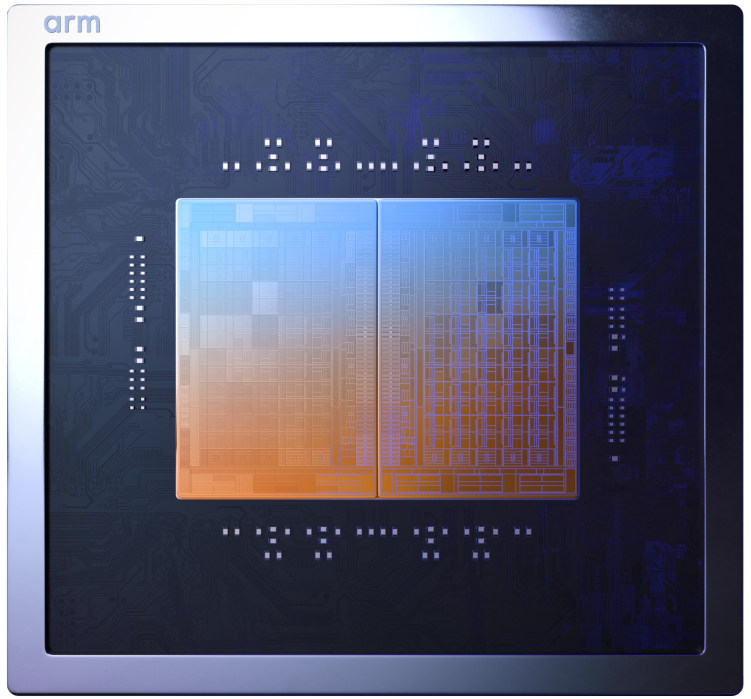


Data center CPU count based on Arm's internal estimates based on third-party research, customer feedback, and management expectations as of March 2026.

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Introducing the first phase of Arm's market expansion

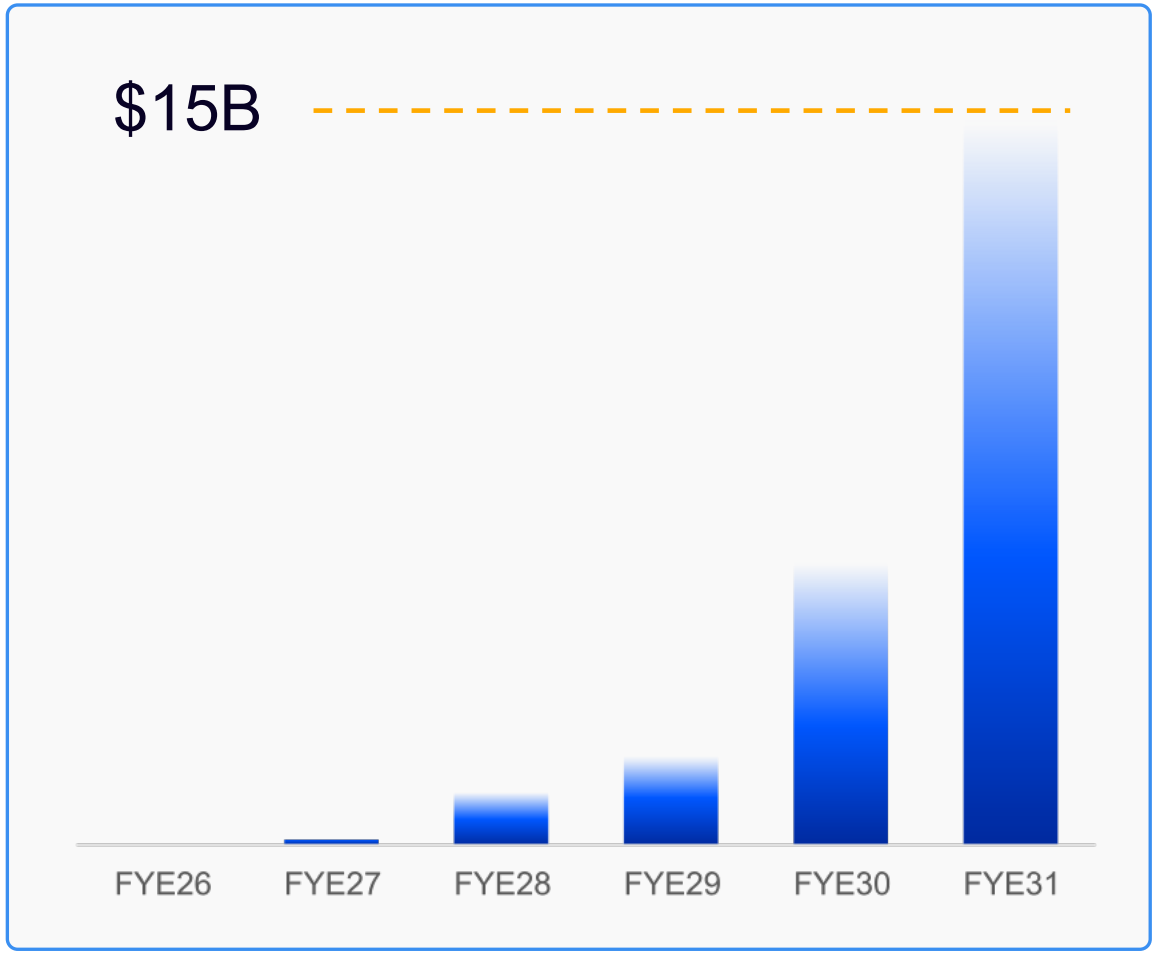
- Customer demand and financial opportunity led to the Arm AGI CPU
- Arm AGI CPU built for efficiency, scale and performance
- **Efficiency**: Purpose-built, no legacy overhead, no wasted energy of silicon area
- **Scale**: More cores linearly deliver more performance, memory and IO keep pace
- **Performance**: More work per cycle through efficient architecture, full-performance always available



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Landing the Arm AGI CPU business

- Arm's IP/CSS business is gaining share across the data center
- Arm AGI CPU shares the same software ecosystem and power-efficient technology as IP business
- Arm AGI CPU began with demand pull from new customers
- FYE28 is expected to be the first year for meaningful Arm AGI CPU revenue
- Revenue to ramp exponentially to ~$15B in FYE31
- Chip business is complementary with IP/CSS business



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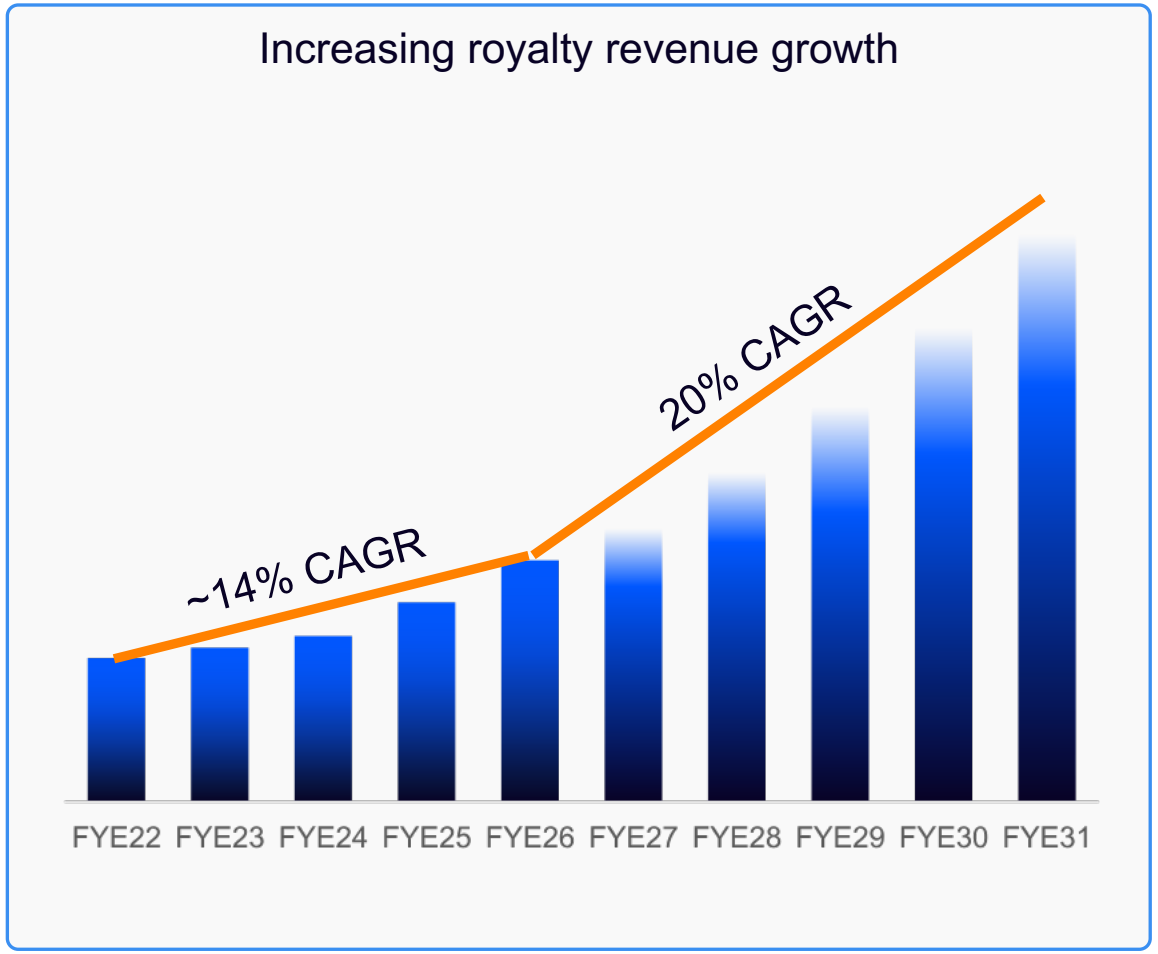
Based on Arm's internal estimates as of March 2026.

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Royalty revenue growth drivers

- Royalty revenue drivers have been
  - End market growth
  - Market share gains
  - Increasing complexity and more cores per chip
  - Higher royalty rates from more advanced Arm technology (Armv9, CSS)

- Royalty revenue forecast to grow at a 20% CAGR from FYE26 – FYE31



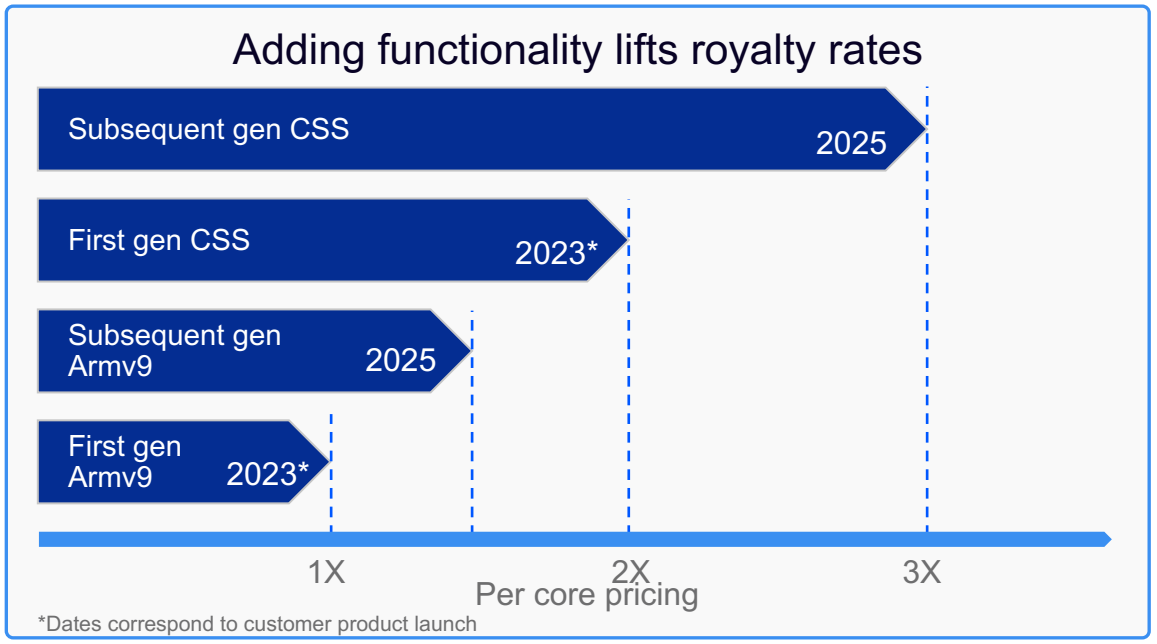
Based on Arm's internal estimates as of March 2026.

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Royalty revenue growth drivers

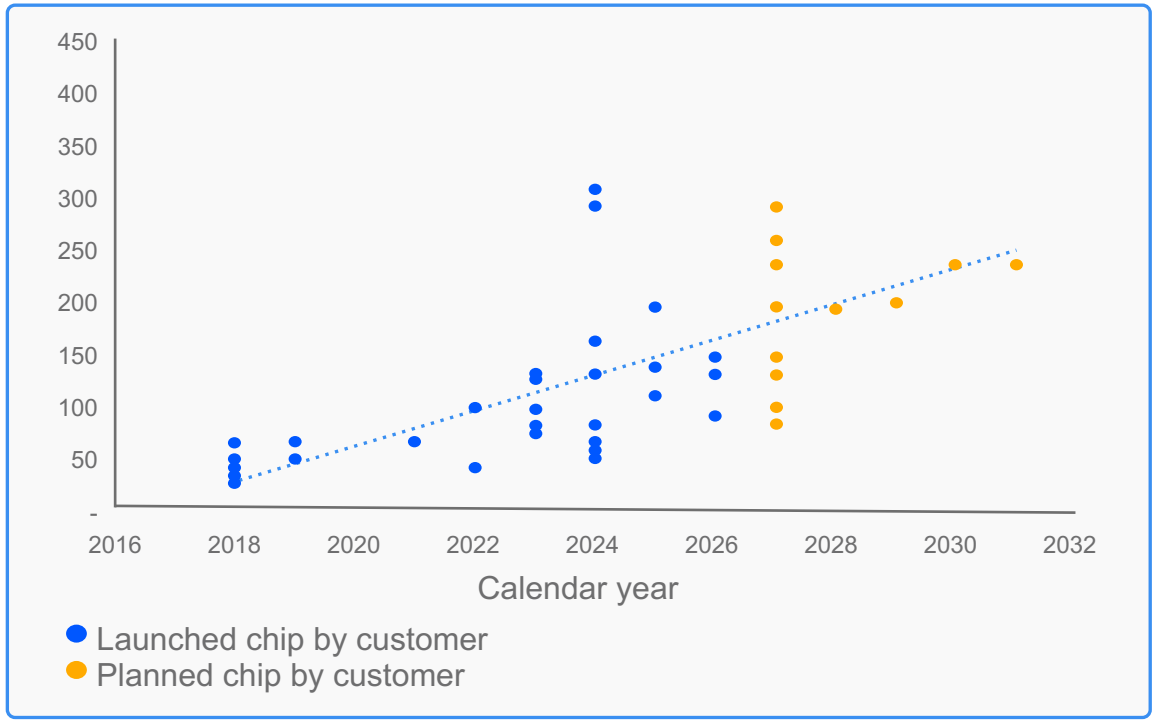
Technology Improvements

- Arm's continuing innovation keeps customers on the leading edge…
- …and allows Arm to capture more value through improved royalty rates



Higher Core Count

- AI, including agentic AI, is driving need for more cores per chip in the data center…
- … Arm's royalty scales with core count



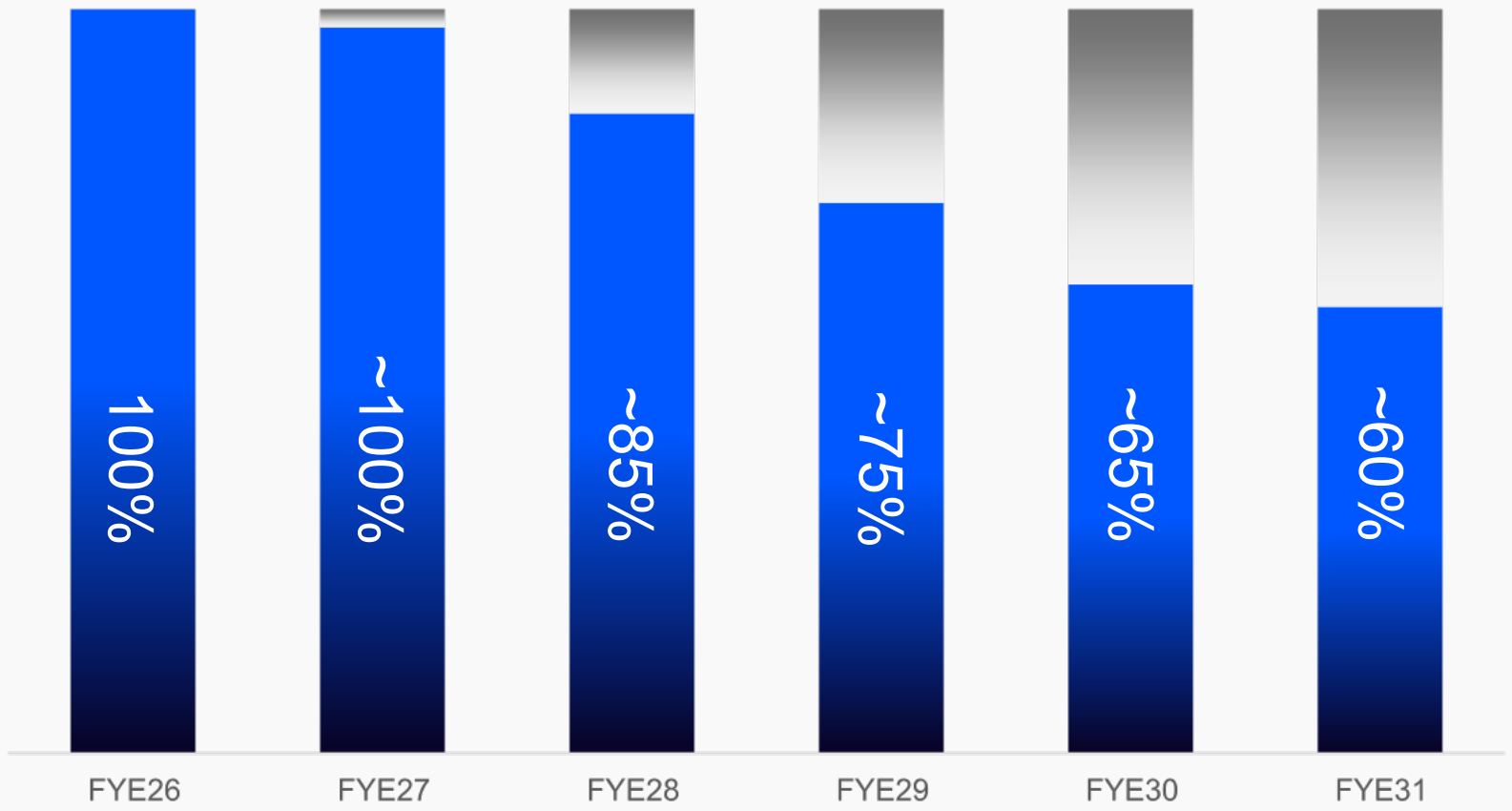
CSS: Compute subsystem

Based on Arm's internal estimates as of March 2026.

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Royalty revenue – percentage in contract drives high confidence

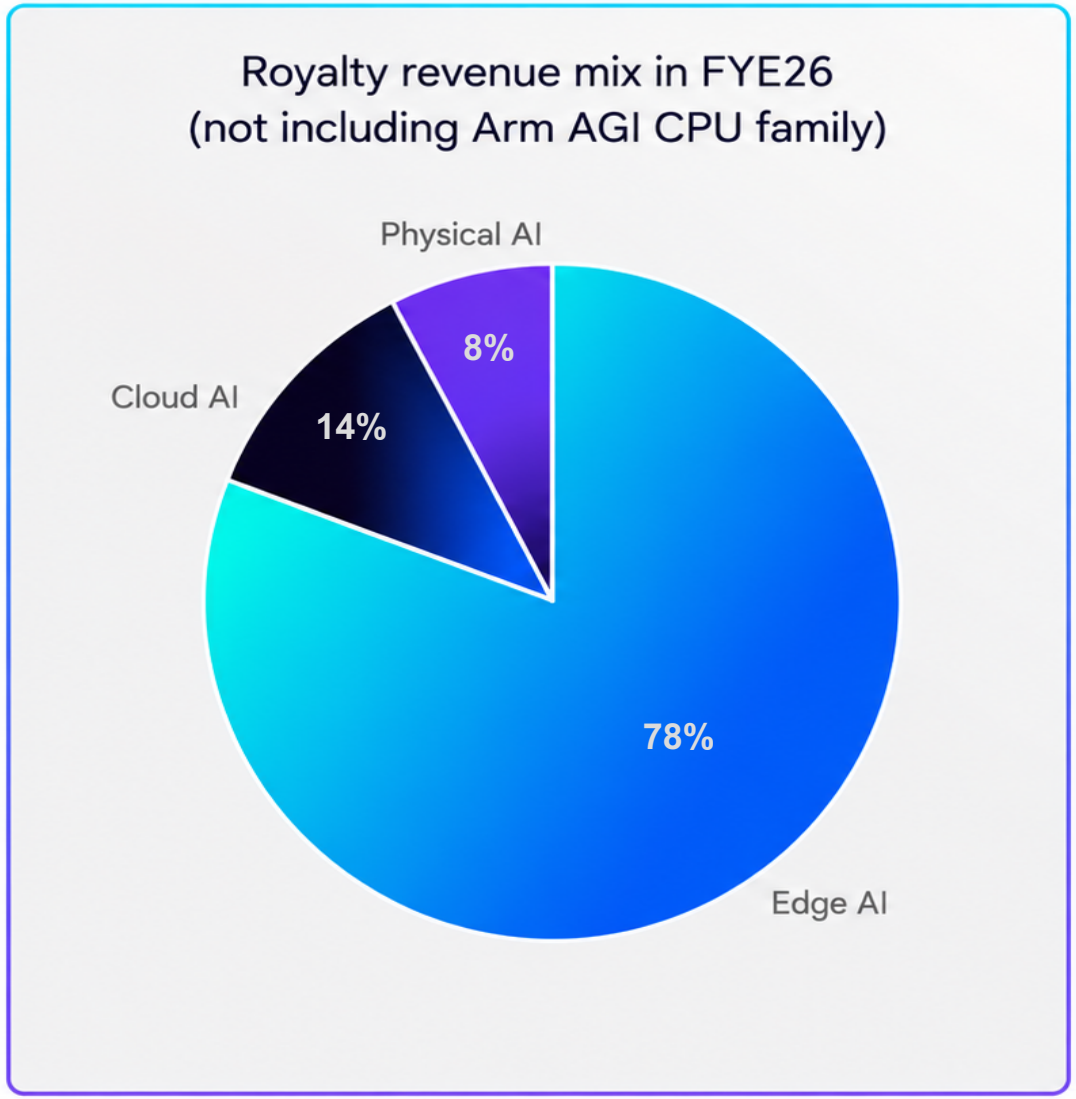
>70% of Arm's forecasted royalties are based on rates already under contract

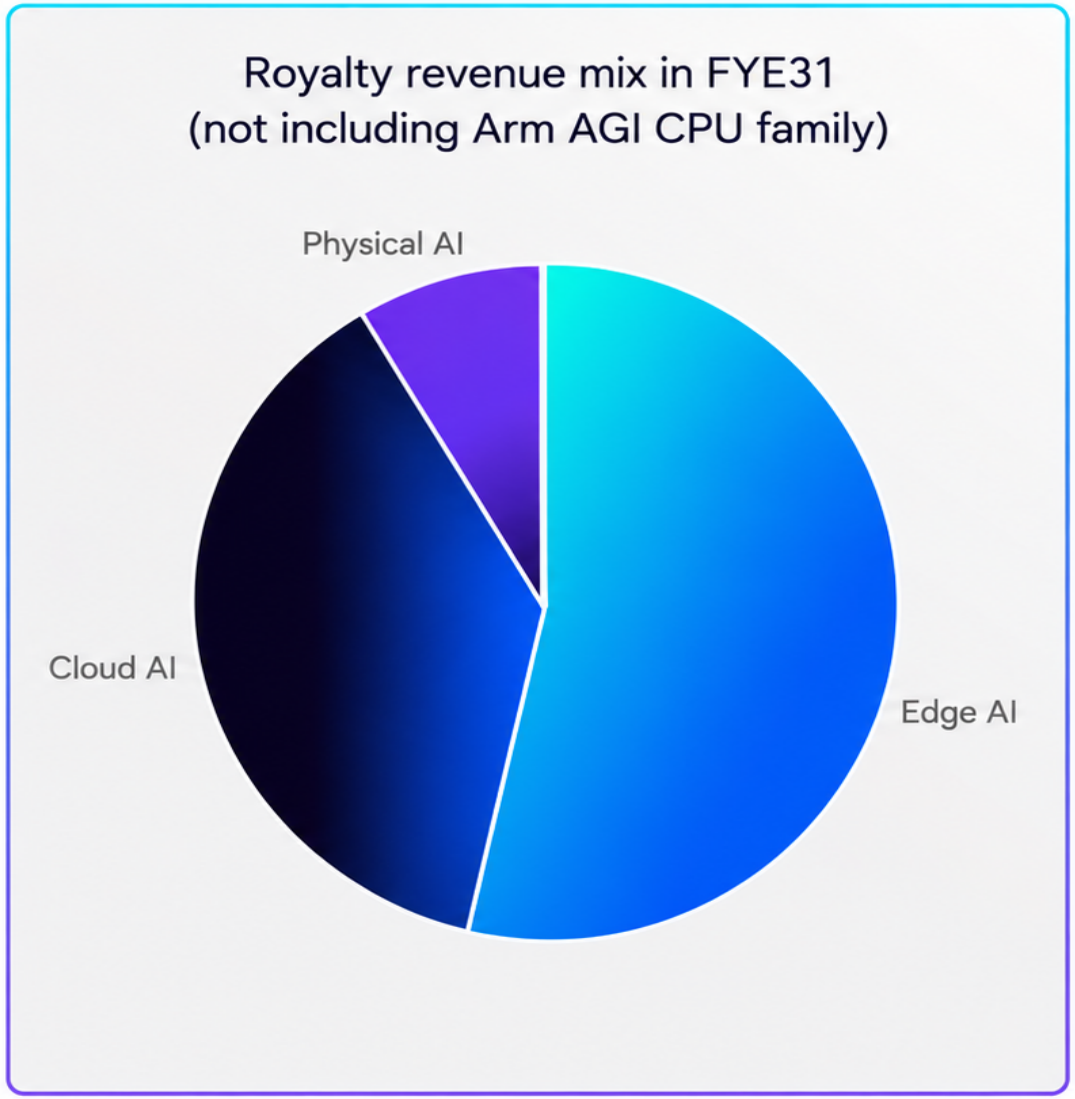


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Cloud AI will be our fastest growing royalty revenue driver



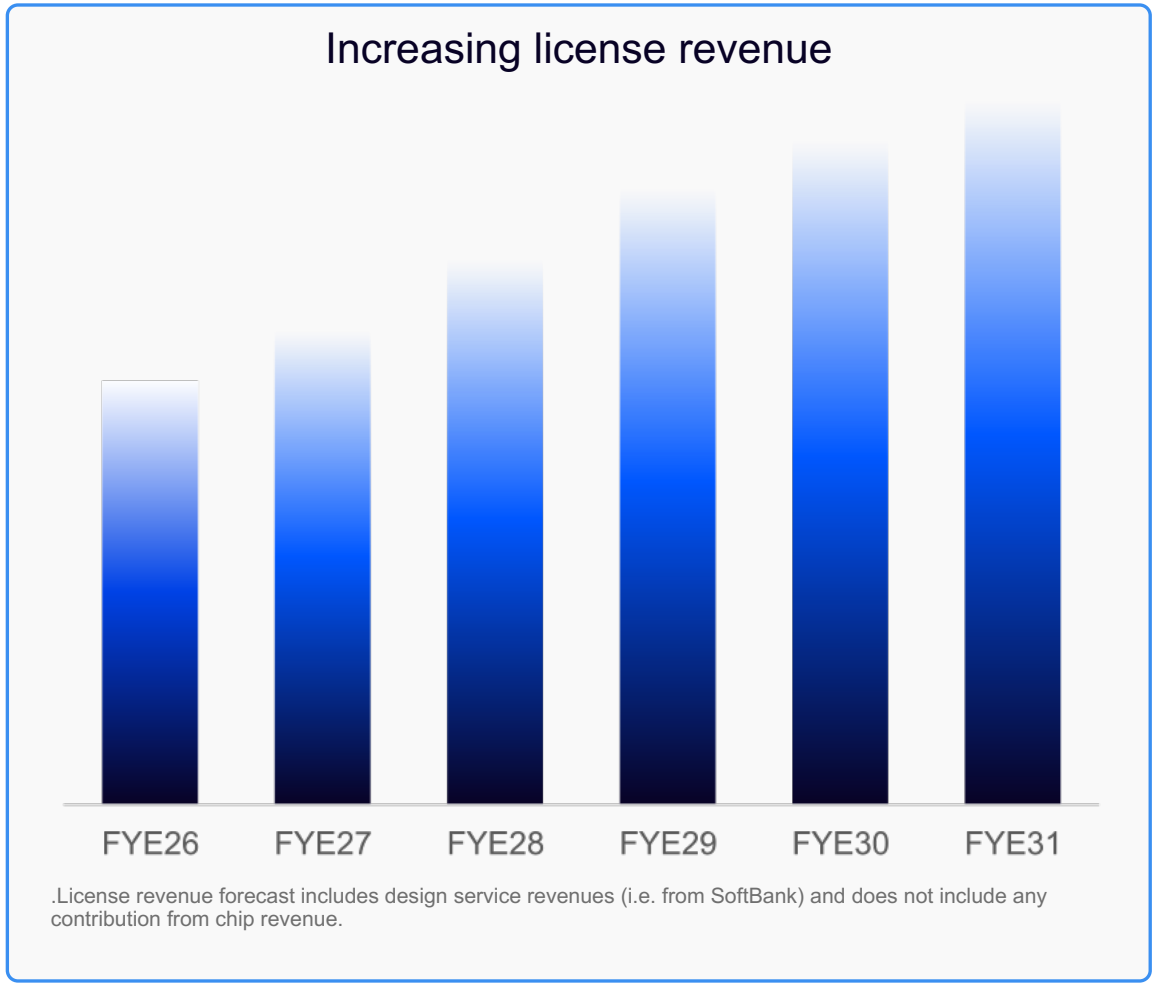


Based on Arm's internal estimates as of March 2026.

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Robust licensing growth today enables future royalty growth

- License revenue growth well ahead of prior long-term expectations
- License revenue to remain above long-term target in the near-term
- And this leads to strong royalty growth in future years

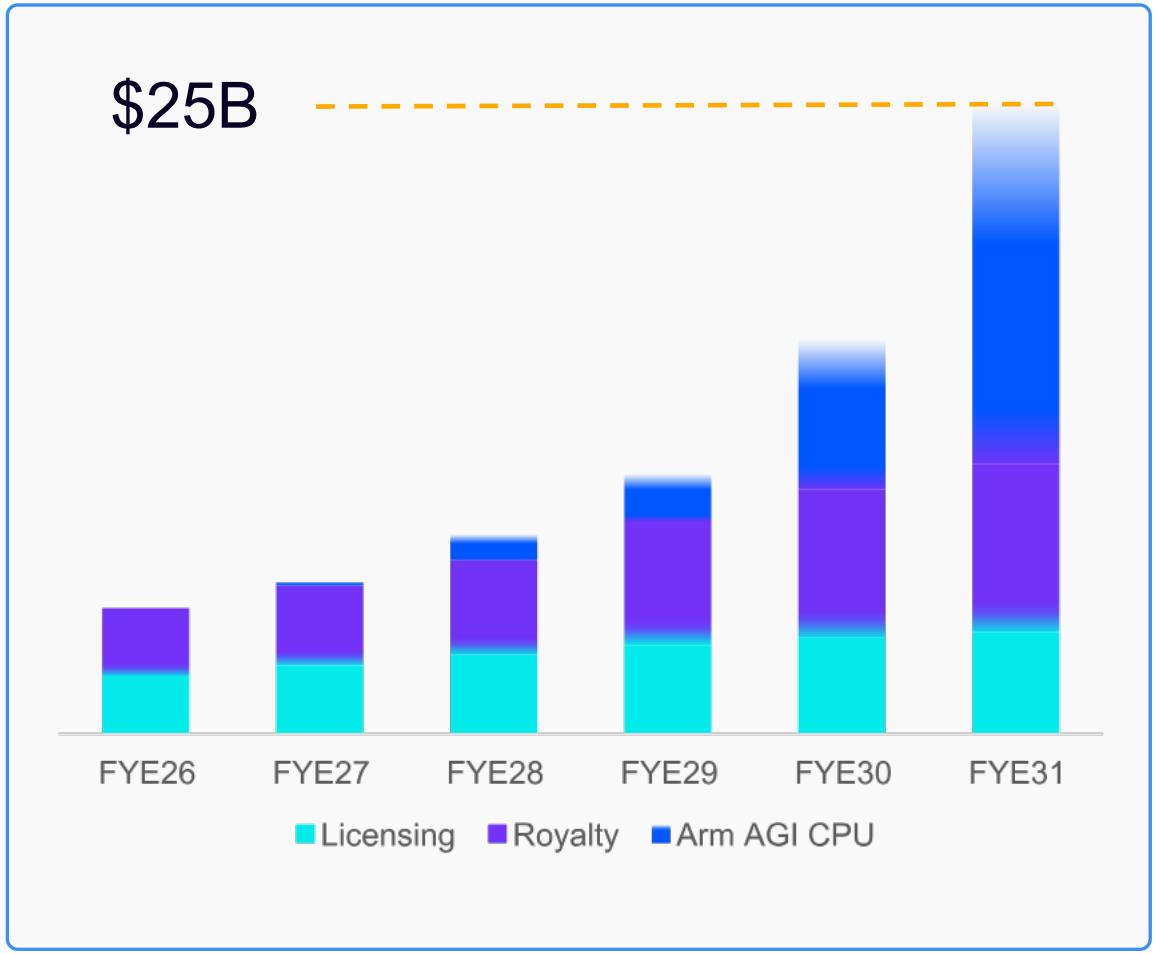


Based on Arm's internal estimates as of March 2026.

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Arm AGI CPU is complementary to Arm's CPU IP / CSS business

- Arm AGI CPU expands Arm’s opportunity into an underserved customer base
- Revenues from Arm AGI CPU are additional to CPU IP and CSS license and royalty revenue

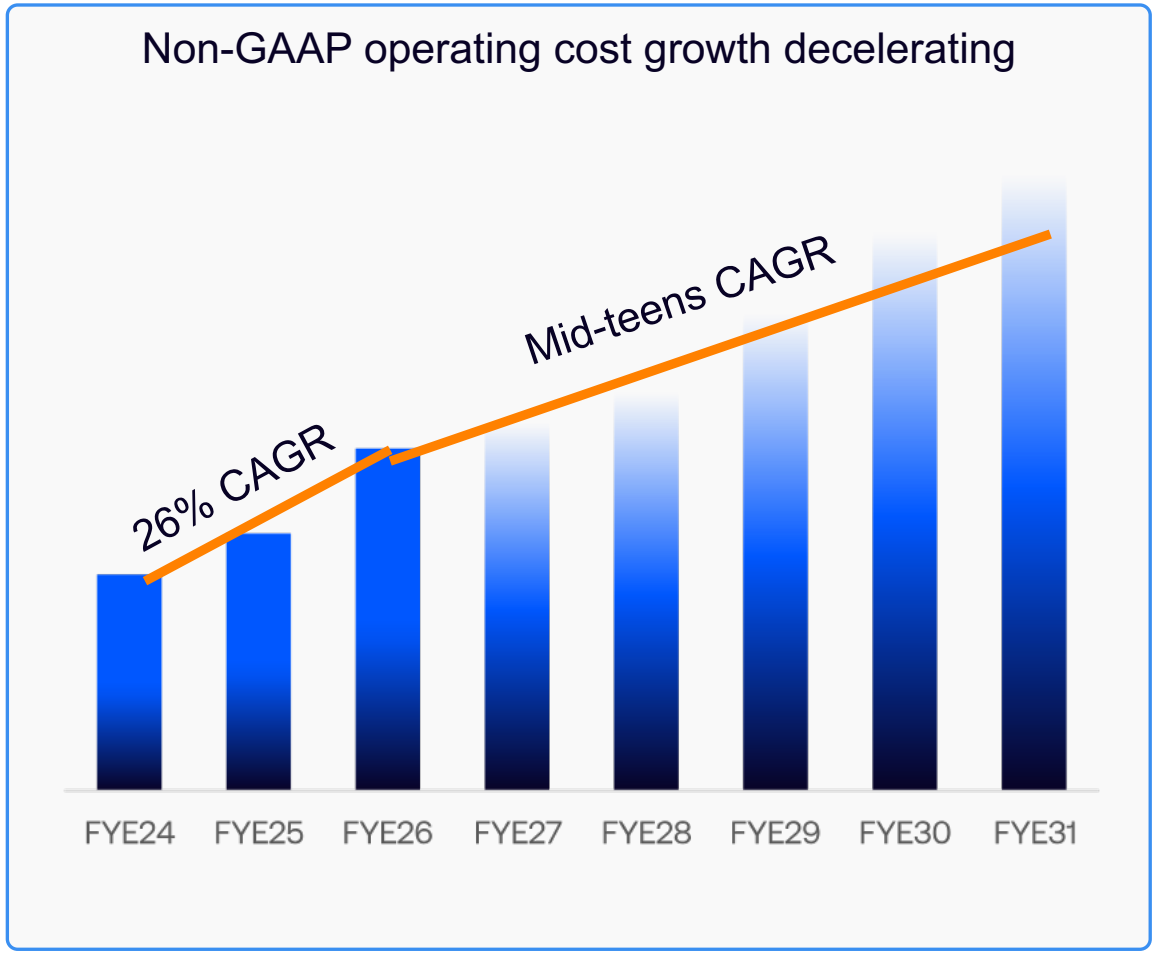


Based on Arm's internal estimates as of March 2026.

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Critical mass of R&D already hired – increasing operational leverage

- AI creates unprecedented opportunity
- Our R&D drives a virtuous cycle of new products driving revenue growth
- Arm has already meaningfully ramped R&D to support CPU, CSS, and chip roadmaps
- Forecasting mid-teens non-GAAP opex CAGR FYE26 to FYE31



Based on Arm's internal estimates as of March 2026.

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Strong revenue and operating profit growth yields >$9 in EPS power

IP/CSS business in FYE31

IP/CSS revenue

$10B

Non-GAAP operating margin

>65%

Arm AGI CPU business in FYE31

Chip revenue

$15B

Non-GAAP operating margin

>30%

Consolidated business in FYE31

Non-GAAP earnings per share

>$9

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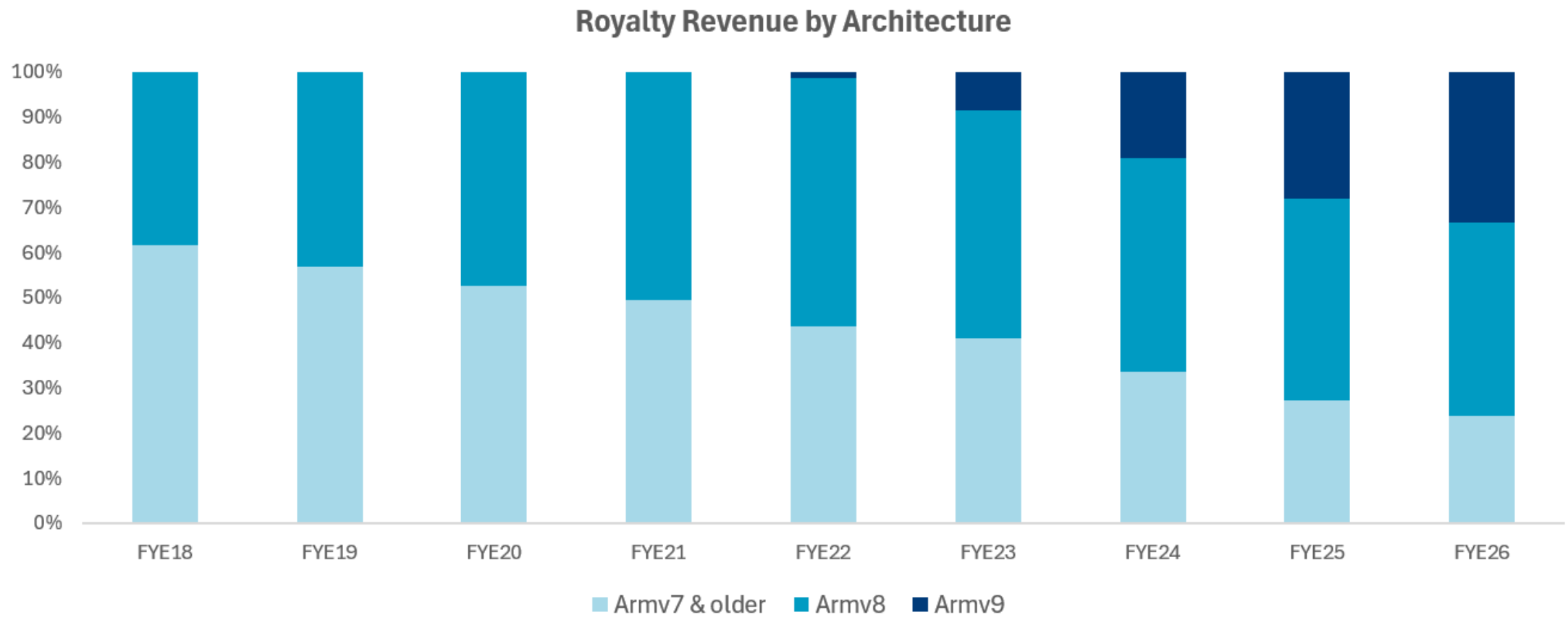
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Appendix

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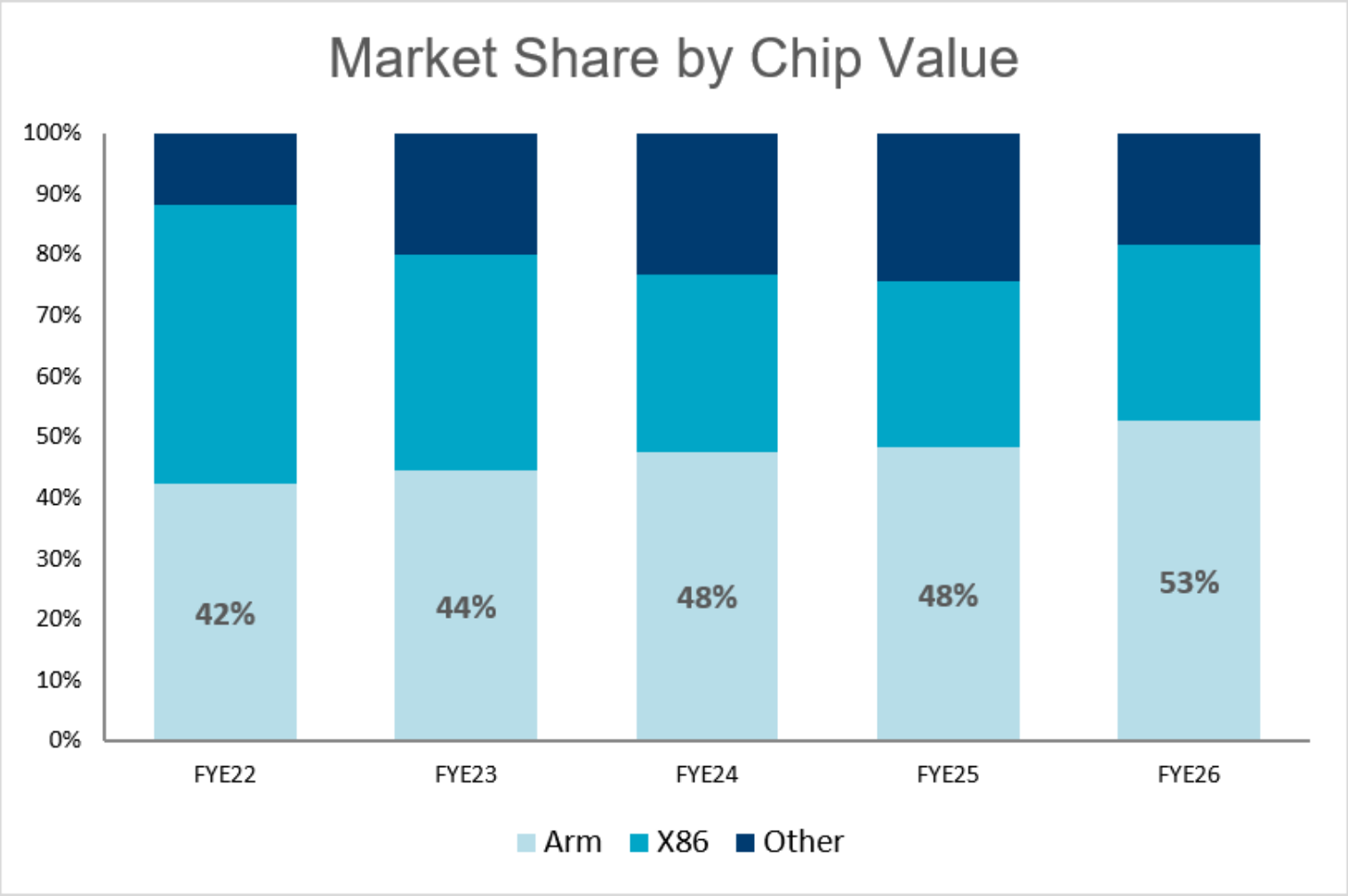
Royalty Revenue: Armv9 adoption is driving royalty growth



- Armv9 commands a higher royalty per chip than prior architectures
- Armv9 adoption has started in smartphones and cloud compute

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Royalty Revenue: Arm is Gaining Share



Notes:
Based on Arm internal estimates.
Other includes legacy and niche architectures such as:

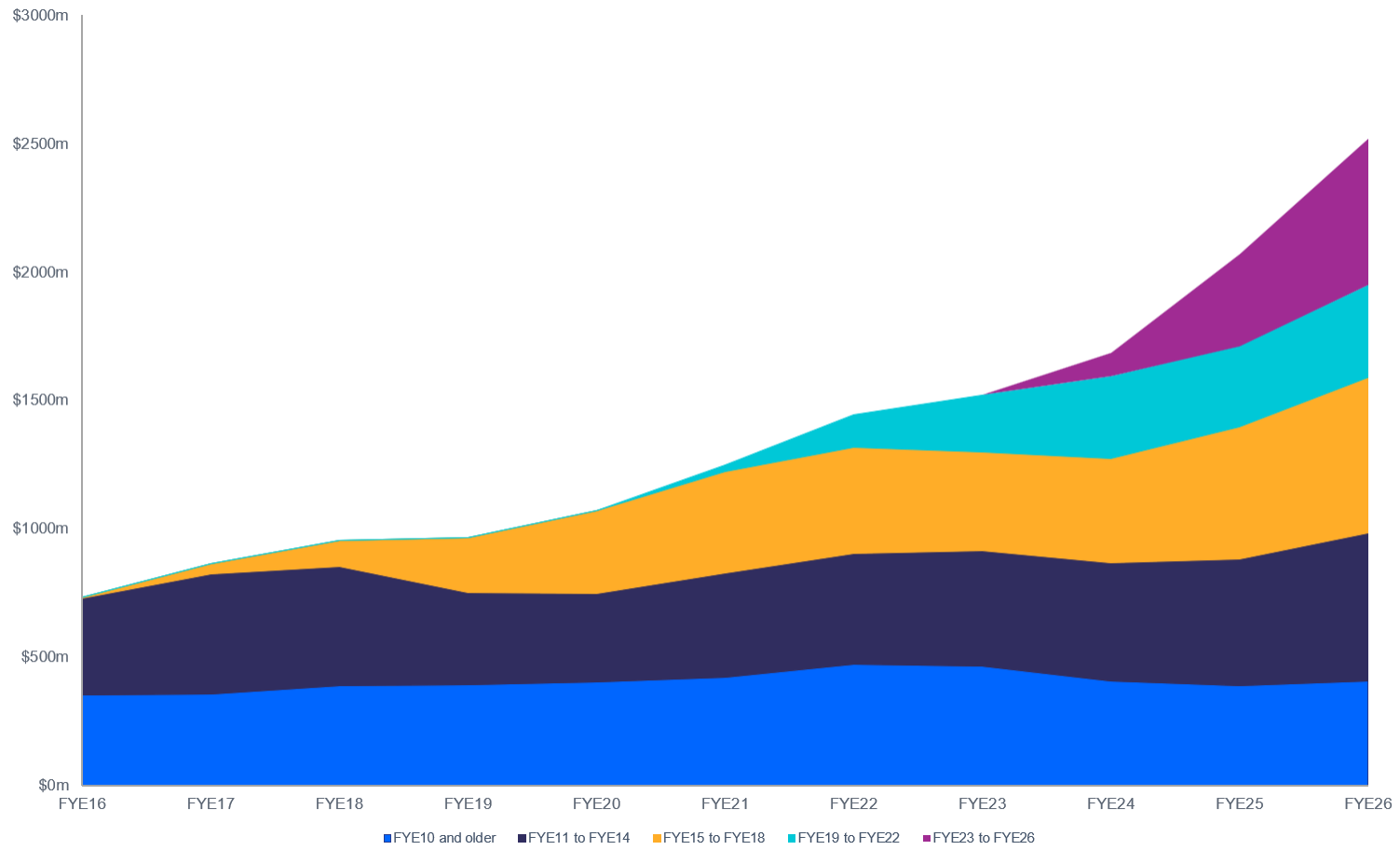
- Proprietary architectures (68000, 80x51, AVR, Coldfire, PIC, PowerPC, RH850, etc.)
- Licensable and open-source architectures (Arc, Andes, Leon, MIPS, OpenPower, OpenRISC, RISC-V, Sparc, Tensilica, etc.)

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Royalty Revenue Provides a Platform for Long-Term Growth

- Royalty revenue can continue for many years or decades

Royalty revenue from Arm products launched during Fiscal Year Ending

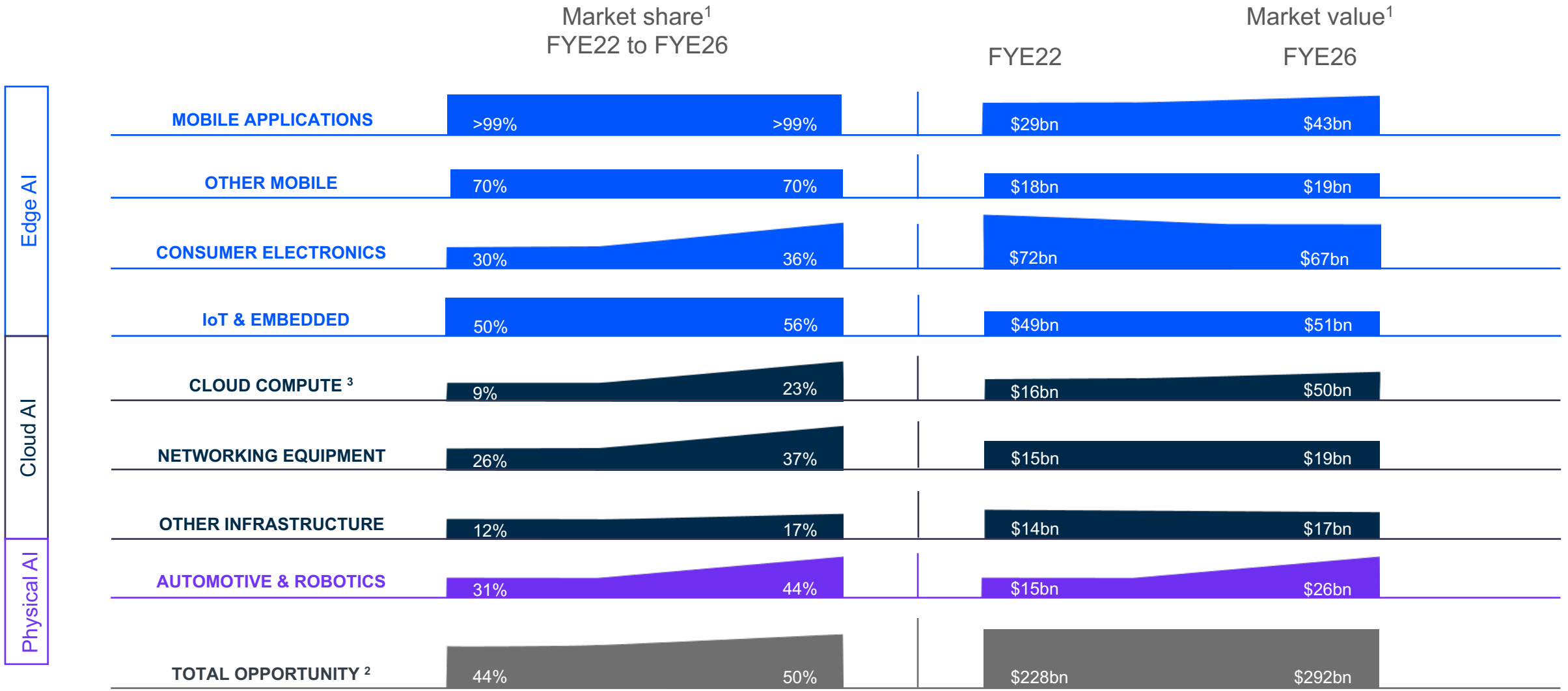


Still collecting royalties on products developed in the early 1990s

Note: Based on data derived from royalty reports provided by Arm's customers.

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Gaining share in a massive CPU market



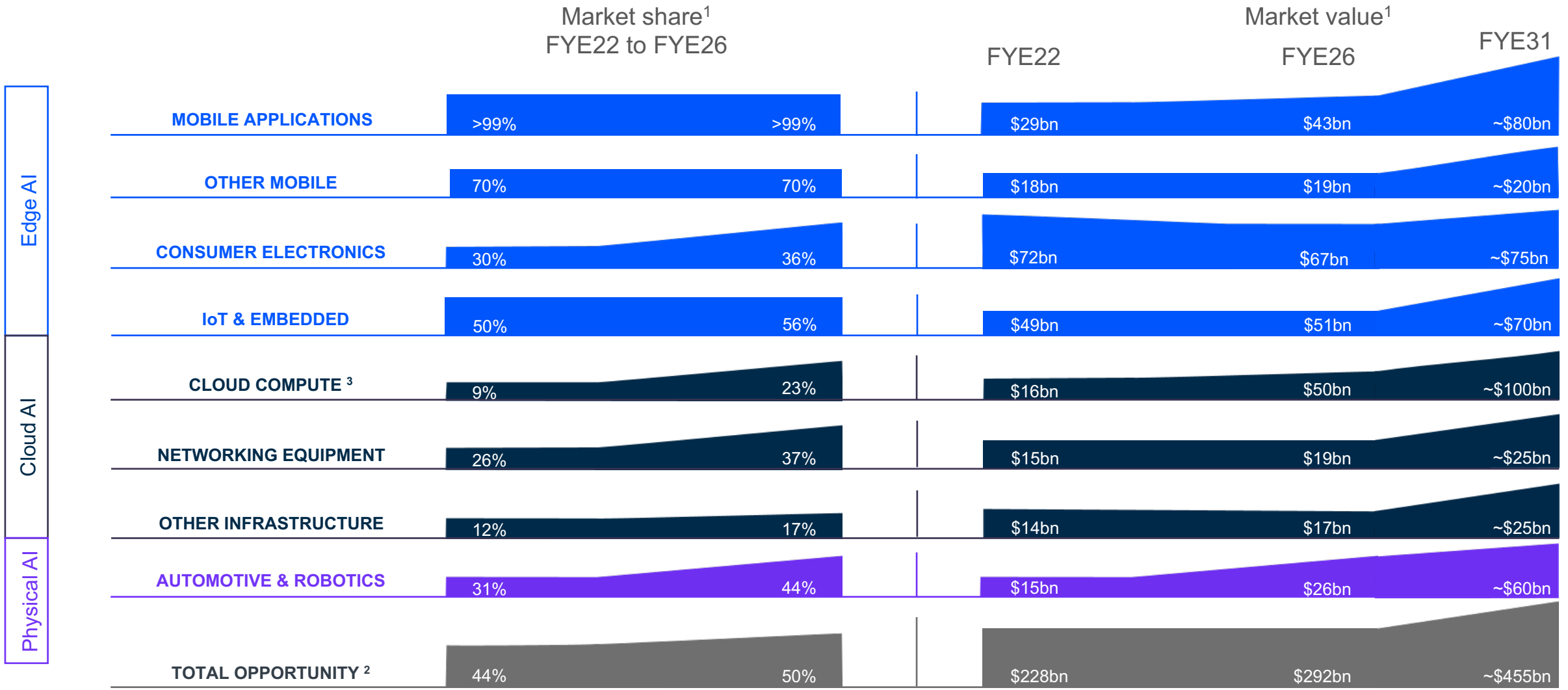
[1] *Based on chip value*
[2] *Total Opportunity figures may not add due to rounding*
[3] *Cloud Compute includes CPU market only*

Source: Arm internal estimates, based on multiple third-party data sources.
Note: During FYE26, Arm reorganized its Lines of Business into Business Units: Edge AI BU, Cloud AI BU and Physical AI BU. The alignment of markets to BUs are shown above.

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Gaining share in a massive CPU market



[1] *Based on chip value*
[2] *Total Opportunity figures may not add due to rounding*
[3] *Cloud Compute includes CPU market only*

Source: Arm internal estimates, based on multiple third-party data sources.
Note: During FYE26, Arm reorganized its Lines of Business into Business Units: Edge AI BU, Cloud AI BU and Physical AI BU. The alignment of markets to BUs are shown above.

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Reconciliations: GAAP to Non-GAAP and Adjustments

(in millions, except per share amounts)	Three Months Ended September 30, 2026						
	GAAP Results	Acquisition-related expenses	Share-based compensation cost (equity settled)	Employer taxes related to SBC, net of R&D tax incentives[1]	(Income) loss from equity investments, net	Income tax effect on non-GAAP adjustments	Non-GAAP Results
Total revenue	$1,443	$—	$—	$—	$—	$—	$1,443
Cost of sales	(42)	—	9	2	—	—	(31)
Gross profit (loss)	1,401	—	9	2	—	—	1,412
Gross margin	97.1%						97.9%
Operating expenses:							
Research and development	(857)	7	267	36	—	—	(547)
Selling, general and administrative	(343)	5	101	10	—	—	(227)
Total operating expenses	(1,200)	12	368	46	—	—	(774)
Operating income (loss)	201	12	377	48	—	—	638
Operating margin	13.9%						44.2%
Income (loss) from equity investments, net	(20)	—	—	—	20	—	—
Interest income, net	29	—	—	—	—	—	29
Other non-operating income (loss), net	(2)	—	—	—	—	—	(2)
Income (loss) before income taxes	208	12	377	48	20	—	665
Income tax benefit (expense)	(78)	—	—	—	—	(21)	(99)
Net income (loss)	$130	$12	$377	$48	$20	$(21)	$566
Net income (loss) per share attributable to ordinary shareholders							
Basic	$0.12						$0.53
Diluted	$0.12						$0.52
Weighted average ordinary shares outstanding							
Basic	1,069						1,069
Diluted	1,079						1,079

(1) Represents employer taxes related to SBC for equity-classified awards, net of the R&D tax incentives associated with these taxes.

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Cash Flow Statement

	Three Months Ended September 30,	
	2026	2025
Cash flows provided by (used for) operating activities:		
Net income (loss)	$ 130	$ 238
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	81	55
Deferred income taxes	42	(12)
(Income) loss from equity investments, net	20	16
Share-based compensation cost	376	265
Operating lease expense	16	14
Gain on business divestiture	—	(131)
Other non-cash operating activities, net	3	(13)
Changes in assets and liabilities:		
Accounts receivable, net (including receivables from related parties)	33	196
Contract assets, net (including contract assets from related parties)	(203)	(30)
Prepaid expenses and other assets	(14)	(34)
Accrued compensation and benefits	(15)	(17)
Contract liabilities (including contract liabilities from related parties)	(64)	29
Tax liabilities	(35)	12
Operating lease liabilities	(14)	(13)
Other liabilities (including payables to related parties)	(149)	(8)
Net cash provided by (used for) operating activities	$ 207	$ 567
Cash flows provided by (used for) investing activities		
Purchases of short-term investments	(50)	(50)
Proceeds from maturity of short-term investments	510	260
Purchases of equity investments	(31)	(1)
Purchases of intangible assets	(5)	(2)
Proceeds from business divestiture	—	127
Proceeds from sale or liquidation of equity investments	—	—
Purchases of property and equipment	(72)	(138)
Payments for acquisitions, net of cash acquired	(249)	—
Other investing activities, net, including investments in convertible loans	—	—
Net cash provided by (used for) investing activities	$ 103	$ 196
Cash flows provided by (used for) financing activities		
Payments of intangible asset obligations	(20)	(16)
Proceeds from Employee Stock Purchase Plan	40	35
Other financing activities, net	(4)	(7)
Payments of withholding tax on vested shares	(129)	(202)
Net cash provided by (used for) financing activities	$ (113)	$ (190)
Effect of foreign exchange rate changes on cash and cash equivalents	(4)	(11)
Net increase (decrease) in cash and cash equivalents	193	562
Cash and cash equivalents at the beginning of the period	3,058	1,956
Cash and cash equivalents from continuing operations, end of the period	$ 3,251	$ 2,518

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Reconciliation: Net cash provided by (used for) operating activities to Non-GAAP free cash flow and Non-GAAP free cash flow TTM

(in millions)	Three Months Ended September 30, 2026	2025
Net cash provided by (used for) operating activities	$ 207	$ 567
Adjusted for:		
Purchases of property and equipment	(72)	(138)
Purchases of intangible assets	(5)	(2)
Payment of intangible asset obligations	(20)	(16)
Non-GAAP free cash flow	$ 110	$ 411

(in millions)	Trailing Twelve Months Ended September 30, 2026	2025
Net cash provided by (used for) operating activities	$ 1,734	$ 1,580
Adjusted for:		
Purchases of property and equipment	(522)	(429)
Purchases of intangible assets	(37)	(13)
Payment of intangible asset obligations	(79)	(65)
Non-GAAP free cash flow TTM	$ 1,096	$ 1,073

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