

The background features a split image. The left side shows a view of Earth from space, with the blue atmosphere and dark landmasses. The right side transitions into a vibrant digital visualization with concentric circles and data points in shades of purple, blue, and cyan, set against a dark starry space background.

# arm

## Arm Holdings plc Q1 FYE25 Results Presentation

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<https://investors.arm.com>

July 31, 2024

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## Forward-Looking Statements

This presentation contains forward-looking statements that reflect Arm Holdings plc's ("Arm") plans, beliefs, expectations and current views with respect to, among other things, future events and financial performance. These statements involve known and unknown risks, uncertainties and other important factors that may cause Arm's actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. There are many factors that could cause or contribute to such differences, including, but not limited to, those identified below and those discussed in "Item 3. Key Information—D. Risk Factors" in Arm's Annual Report on Form 20-F for the fiscal year ended March 31, 2024, filed with the Securities and Exchange Commission on May 29, 2024.

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact could be deemed forward-looking statements, including without limitation, statements relating to Arm's future operations, results of operations and other matters that are based on Arm's current expectations, estimates, assumptions and projections. In some cases, you can identify forward-looking statements because they contain words such as "may," "might," "will," "could," "would," "should," "expect," "is/are likely to," "intend," "plan," "objective," "anticipate," "believe," "estimate," "predict," "potential," "target," "continue," "ongoing" or similar words or phrases, or the negative of these words or phrases. The inclusion of forward-looking statements in this presentation should not be regarded as a representation by Arm or any other person that the future plans, estimates or expectations contemplated by Arm will be achieved or that Arm has conducted an exhaustive inquiry into, or review of, all potentially available relevant information. The forward-looking statements included in this presentation are based on the current beliefs, assumptions and expectations of Arm's management with respect to Arm's future economic performance, considering the information currently available to management. While Arm believes such information forms a reasonable basis for such statements, such information may be limited or incomplete. Accordingly, there are, or will be, important factors that could cause Arm's actual results to differ materially from those indicated in these statements. All such factors are difficult to predict, represent uncertainties that may materially affect actual results and may be beyond Arm's control. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors or to assess the impact of each such risk factor on Arm. Any forward-looking statement in this presentation speaks only as of the date hereof, and Arm does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation except as required by applicable law. If one or more risks or uncertainties materialize, or if Arm's underlying assumptions prove to be incorrect, Arm's actual results may vary materially from what Arm may have expressed or implied by these forward-looking statements. Arm cautions that you should not place undue reliance on any of Arm's forward-looking statements.

## 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, 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 expense, net, non-GAAP operating income (loss), non-GAAP operating profit margin, non-GAAP net income (loss), non-GAAP free cash flow, and non-GAAP free cash flow for the trailing twelve months, or TTM. 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, and 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 presented herein exclude acquisition-related intangible asset amortization, 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, one-time employee benefit related to the Arm Limited All Employee Plan 2019, or the 2019 AEP, costs associated with disposal activities, impairment of long-lived assets, restructuring and related costs, public company readiness costs, other operating income (expenses), net, (income) loss from equity method investments, gain on disposal of business, and income tax effect on non-GAAP adjustments. 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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# Q1 FYE25: Highlights

## Operating Highlights

**\$939m**

Total revenue up 39% YoY

**\$448m**

Non-GAAP Operating Income  
47.7% Non-GAAP operating margin

**\$709m**

Trailing 12 Months FCF down 2% YoY

**arm**

## Innovation Highlights

**100bn AI-ready Arm-based chips forecasted to ship by end of FYE26**

AI-related design wins continuing to drive licensing in near-term and royalties for years to come

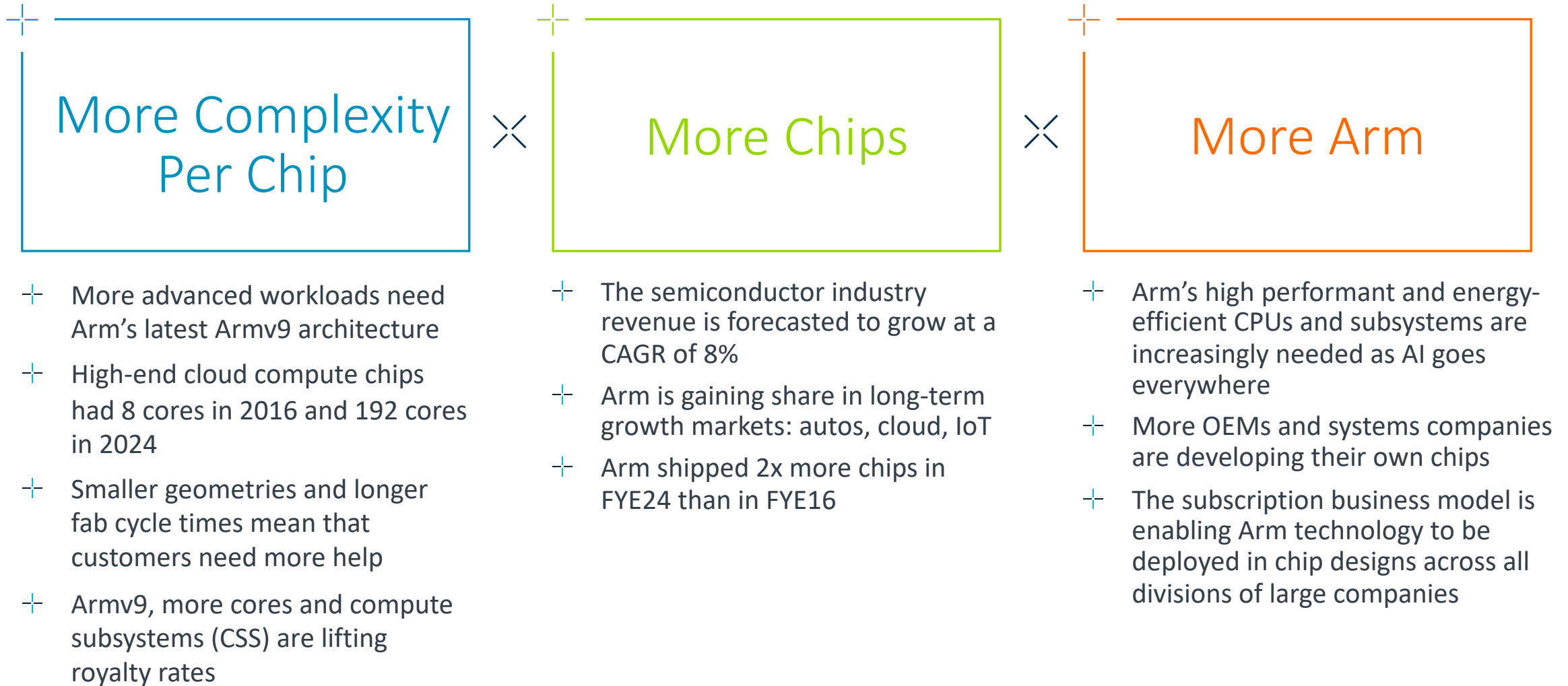
**Arm-based PCs shipments increasing**

Microsoft's first generation of Copilot+ PCs have all the essential applications running on Arm

**Armv9 now 25% of revenues**

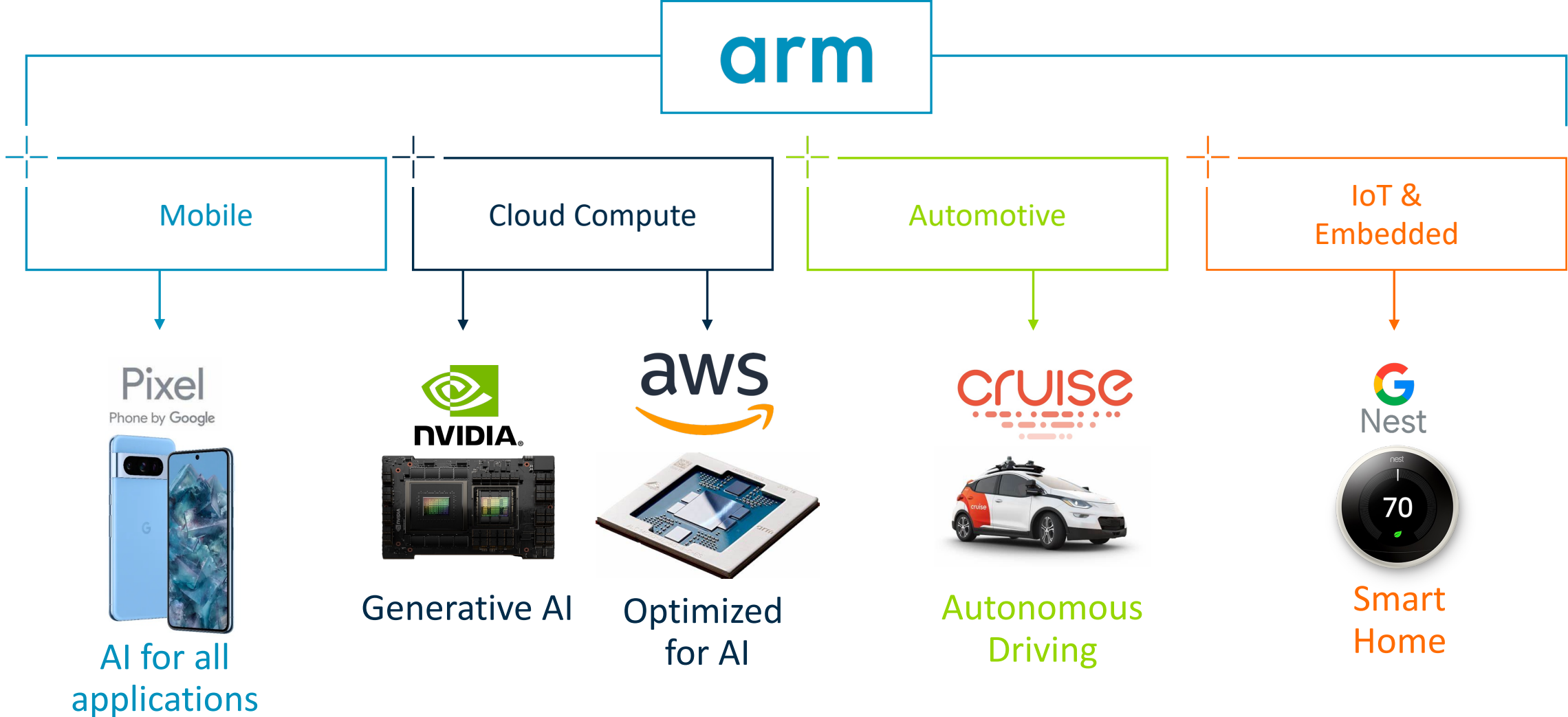
Up from 20%/15%/10% in prior quarters  
Mainly driven by smartphones, with other markets beginning to ramp

# Royalty Growth from Rising Complexity, Volume Expansion



Note: reference to FYE16 relates to period when Arm was last publicly listed prior to its acquisition by SoftBank.

# AI on Arm: Energy Efficiency from the Data Center to the Edge



# Unparalleled Software Ecosystem

20M

Developers on Arm,  
for Arm



1.5Bn

Ecosystem hours



10M+

Developer hours  
1<sup>st</sup> decade of Armv8



30M+

Developer hours  
1<sup>st</sup> decade of Armv9



android 

 iOS

 Green Hills  
SOFTWARE

Linux 

 Microsoft

 NVIDIA  
CUDA

 Red Hat

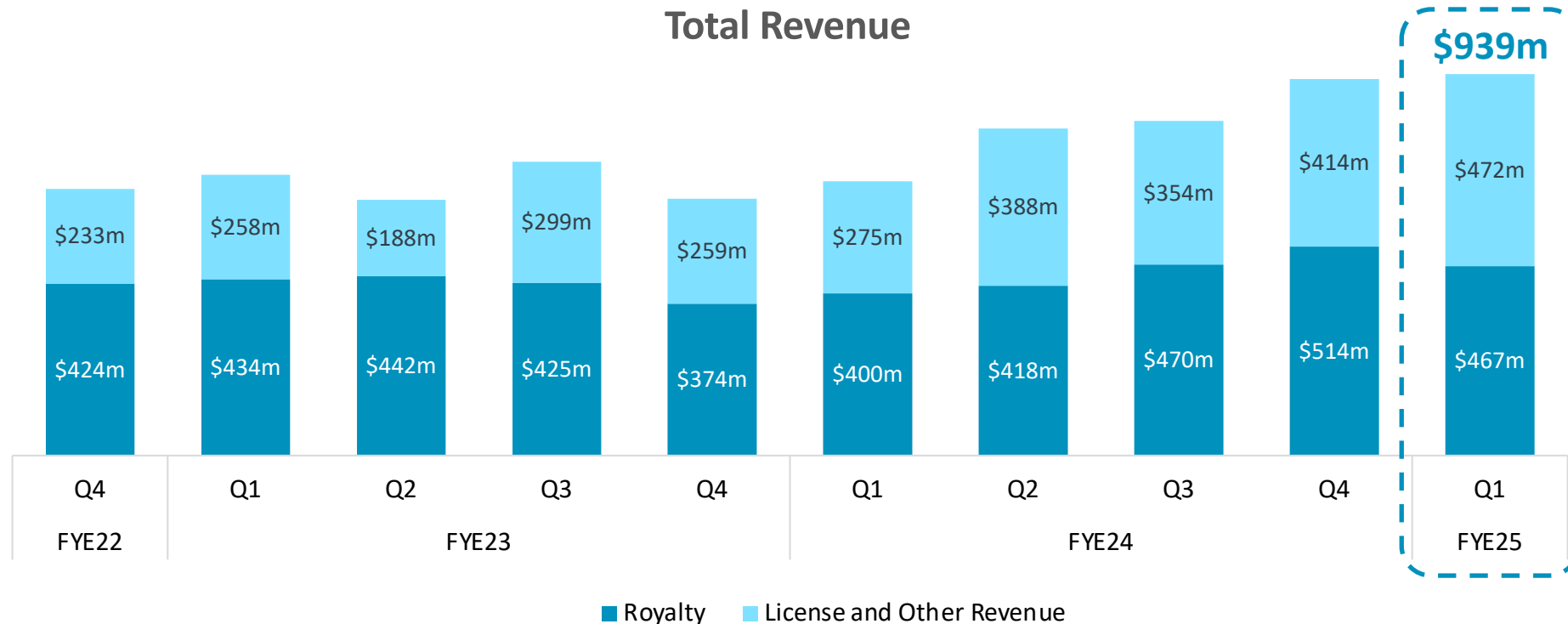
  
TensorFlow

vmware<sup>®</sup>

WINDRV<sup>R</sup>

# Q1 FYE25: Record Quarterly Revenue

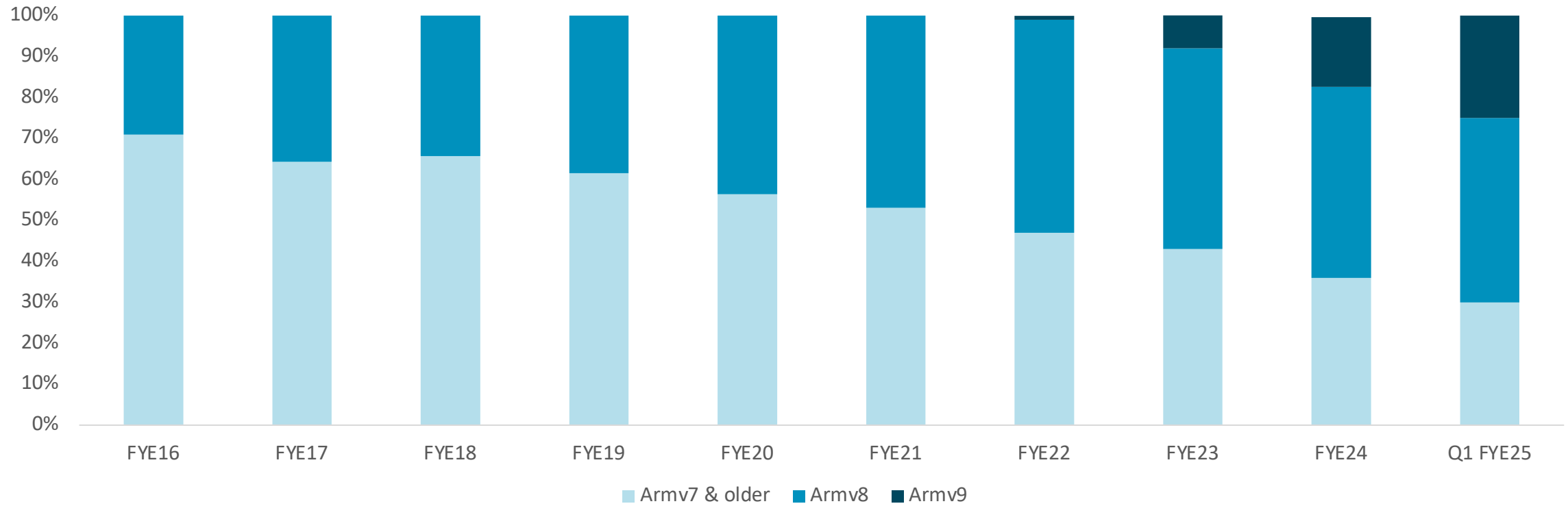
- + Record total revenue: \$939m up 39% YoY
- + License and other revenue: \$472m up 72% YoY driven by multiple high-value license agreements and the increased demand for Arm's technology in AI-related applications
- + Royalty revenue: \$467m up 17% YoY with strong smartphone sales and increased Armv9 penetration





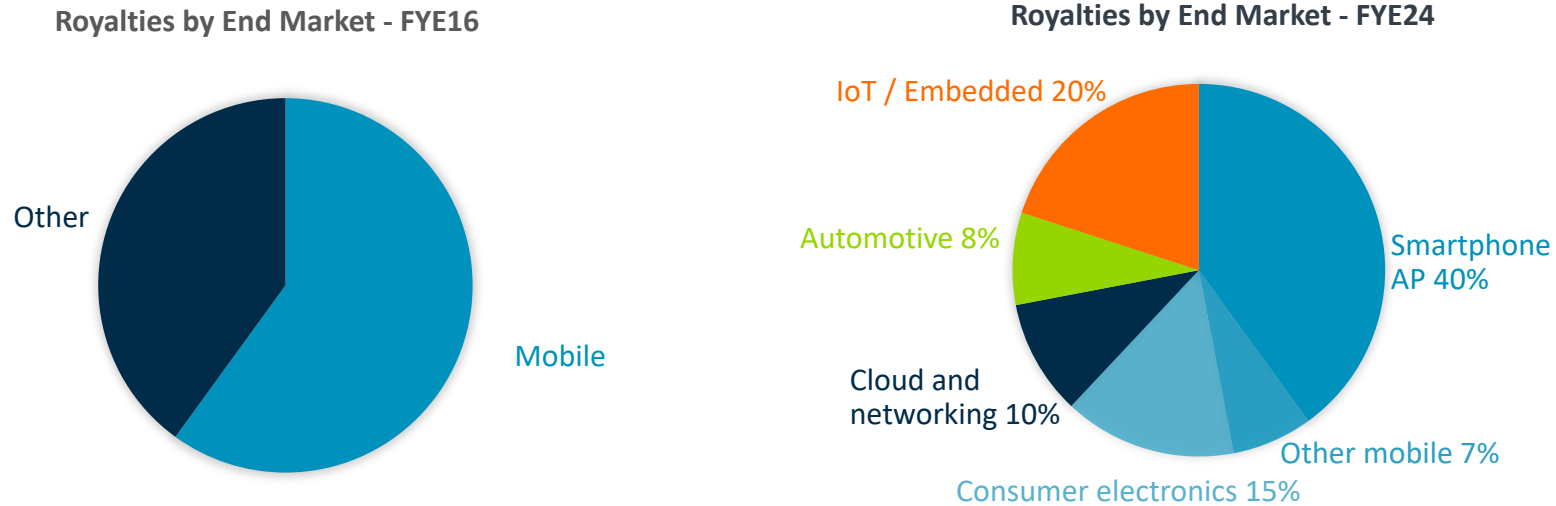
# Armv9 adoption driving royalty growth

Royalty Revenue by Architecture



- + Armv9 commands a higher royalty per chip than prior architectures
- + Armv9 adoption started in smartphones and cloud compute, now growing in automotive, consumer and IoT

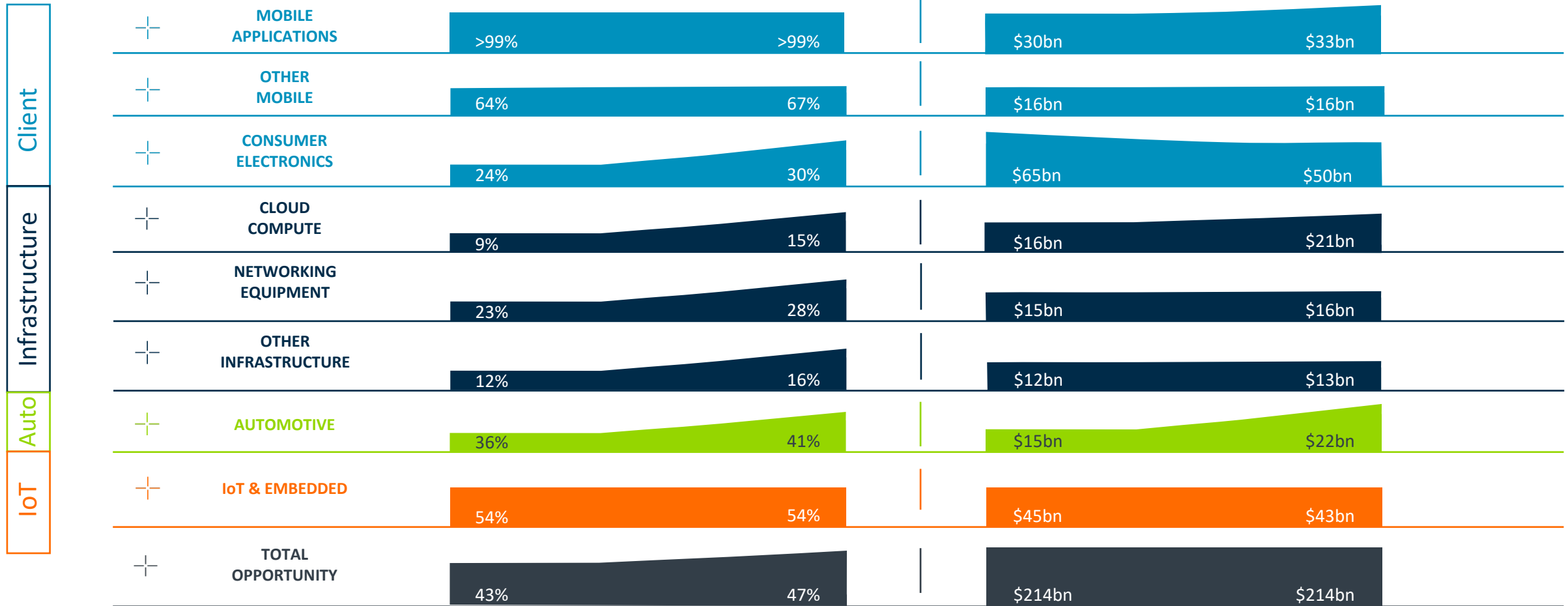
# Diversification in multiple long-term growth markets



- + Arm is increasing revenue from markets beyond mobile through a broadening range of products including CPUs and systems for cloud, automotive and IoT/embedded compute

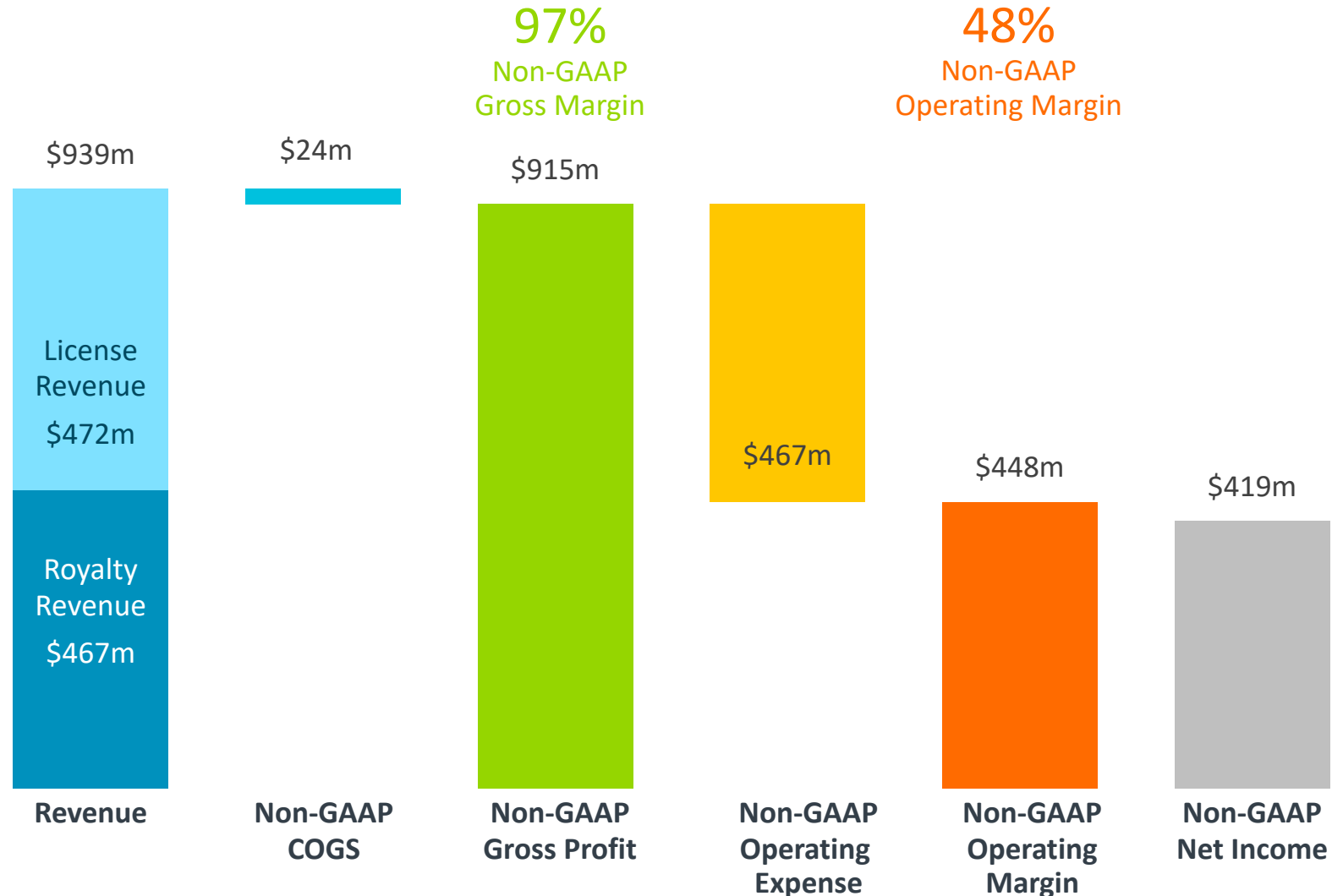
Note: reference to FYE16 relates to period when Arm was last publicly listed prior to its acquisition by SoftBank.  
Note: royalties represent approximate mix, based on reports received from our partners and Arm's internal assessment of end market

# Royalty: Gaining Share in a Massive Market



<sup>1</sup> Based on chip value

# FYE25-Q1: From Revenues to Profits



Notes:

1. Depreciation and amortisation for FYE25-Q1 was \$43m

2. Non-GAAP Operating Income and Non-GAAP Net Income are non-GAAP metrics. See end of presentation for reconciliation of each to the most directly comparable GAAP metric

# Near-Term Guidance

	Q2 FYE 25	FYE 25
Revenue (\$m)	\$780m - \$830m	\$3.80b - \$4.10b
Non-GAAP Operating Expense (\$m) <sup>1</sup>	~\$500m	~\$2.05b
Non-GAAP fully diluted earnings per share (\$)¹	\$0.23 - \$0.27	\$1.45 - \$1.65

(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.

# Arm is Building the Future of Computing

- + Arm is the world's most pervasive CPU architecture
- + Everything today is a computer
  - CPUs needed everywhere
- + Ongoing innovation to support of customer needs
  - from CPUs to compute subsystems
- + Strong growth, highly profitable and cash generative company

**290+ Billion**

Arm-based chips shipped since inception

**28.6 Billion**

Arm-based chips shipped in FYE24

**20M+**

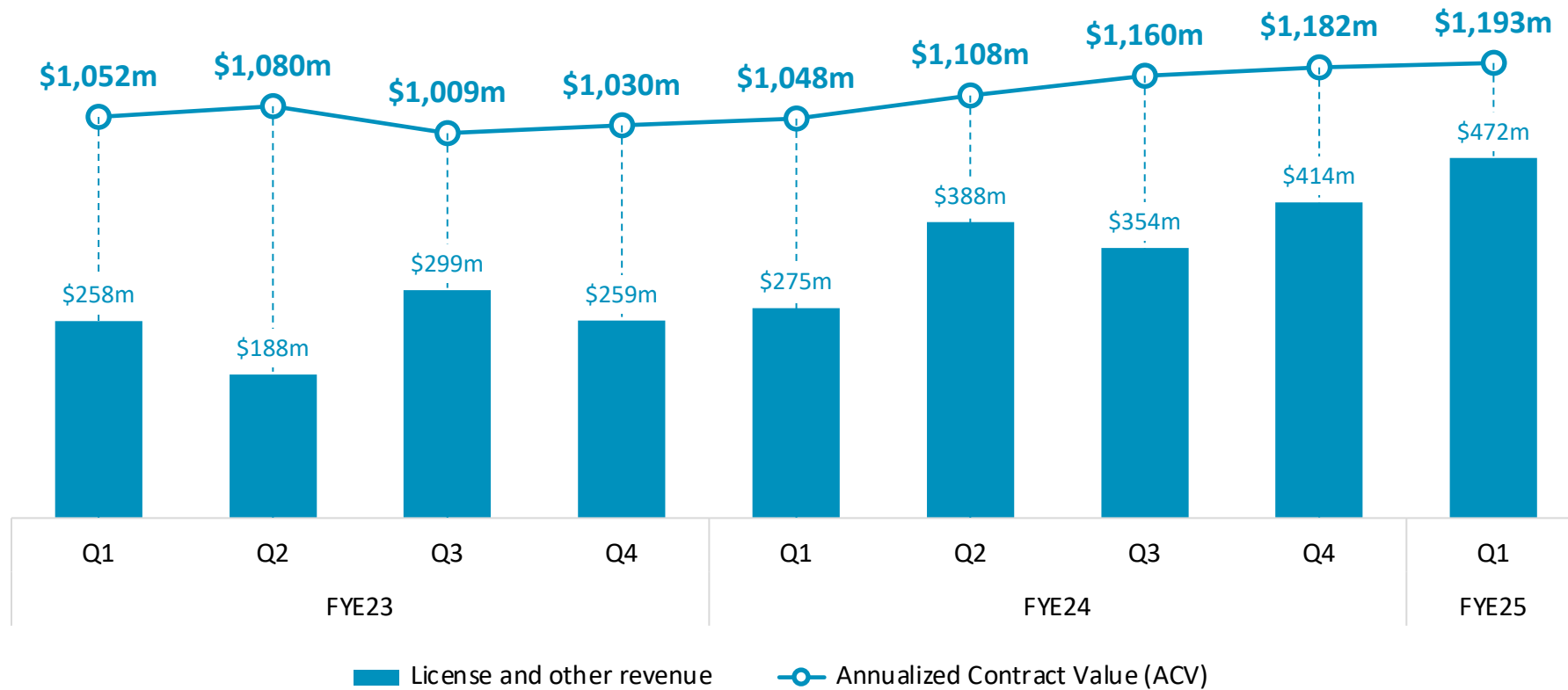
Software Developers on Arm

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## Appendix

# Q1 FYE25: Annualized Contract Value

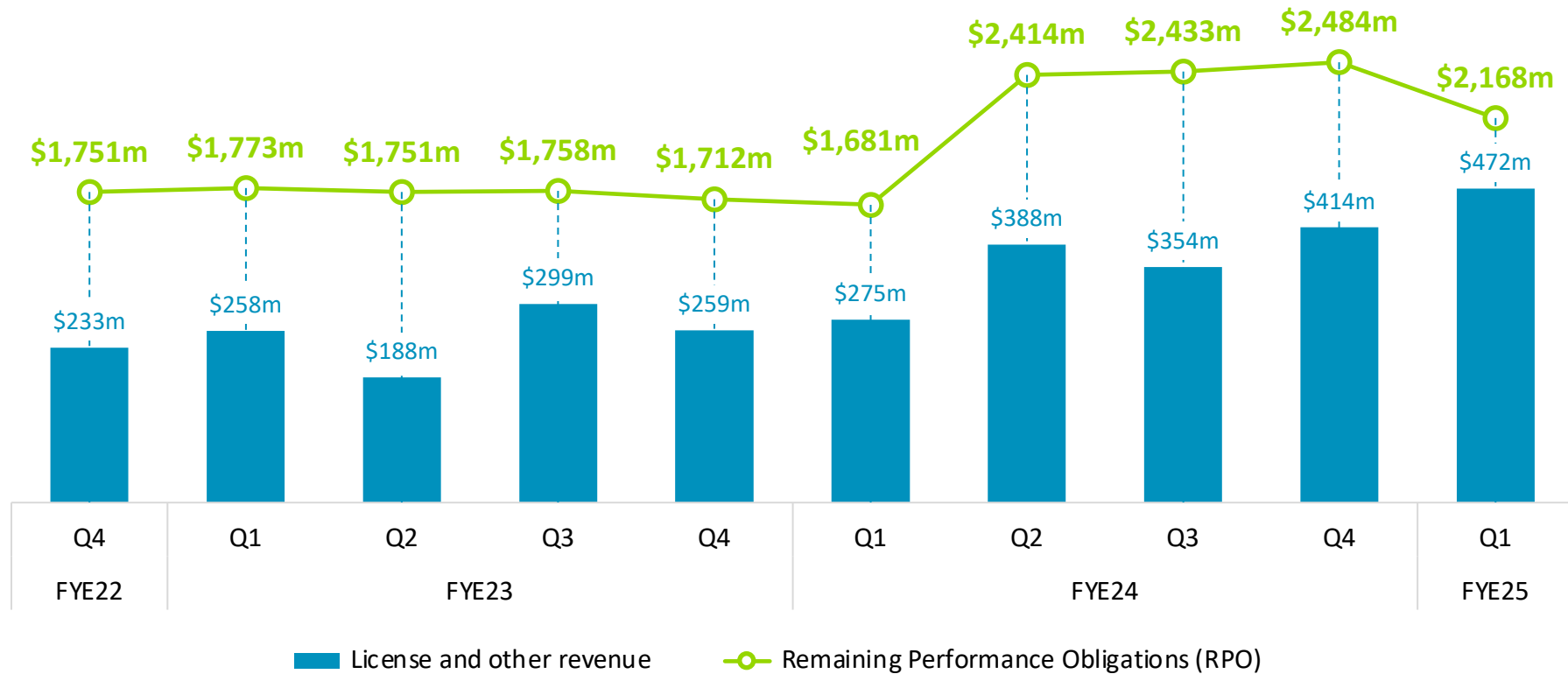
+ Annualized contract value increased during Q1 driven by multiple high-value, long-term ATA agreements



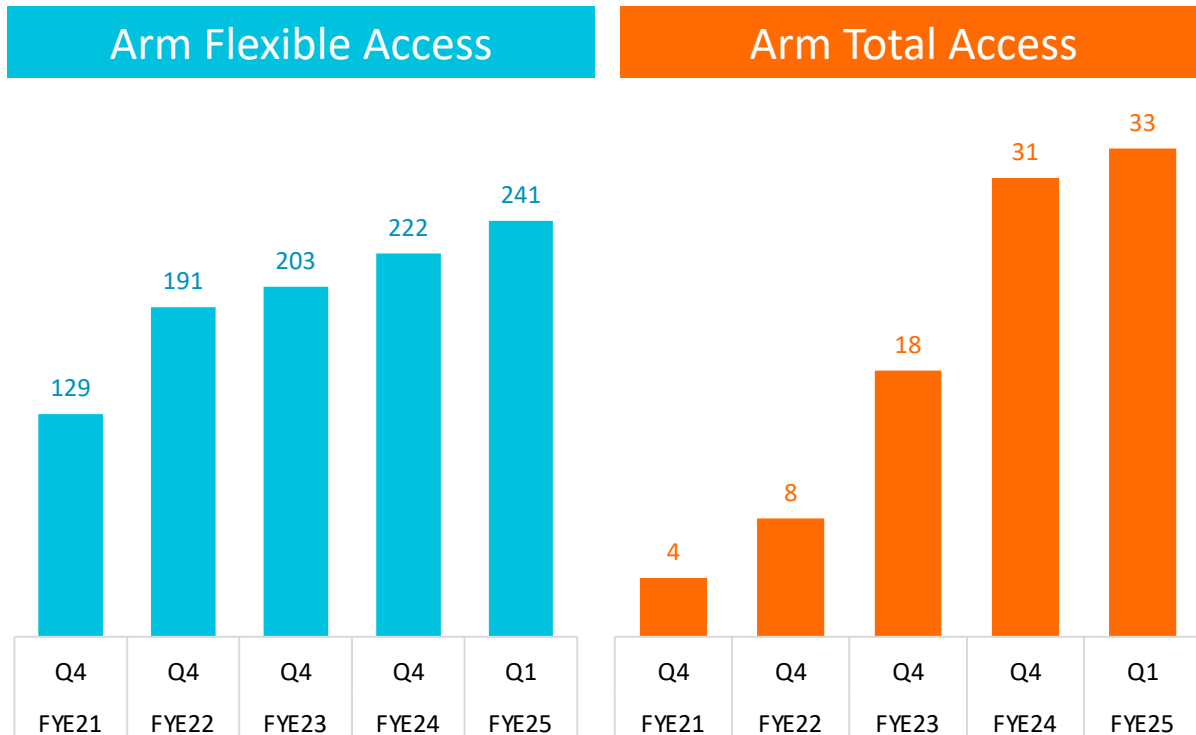


# Q1 FYE25: Remaining Performance Obligation (RPO)

- + Remaining performance obligations represent revenue that will be recognized in future periods
- + RPO is up 29% year-over-year and down 13% sequentially due to the contribution to revenue from backlog during the quarter



# Q1 FYE25: Non-Financial Metrics



+ Arm Total Access at 33 extant licenses, up 2 QoQ  
Additionally, 2 major customers renewed

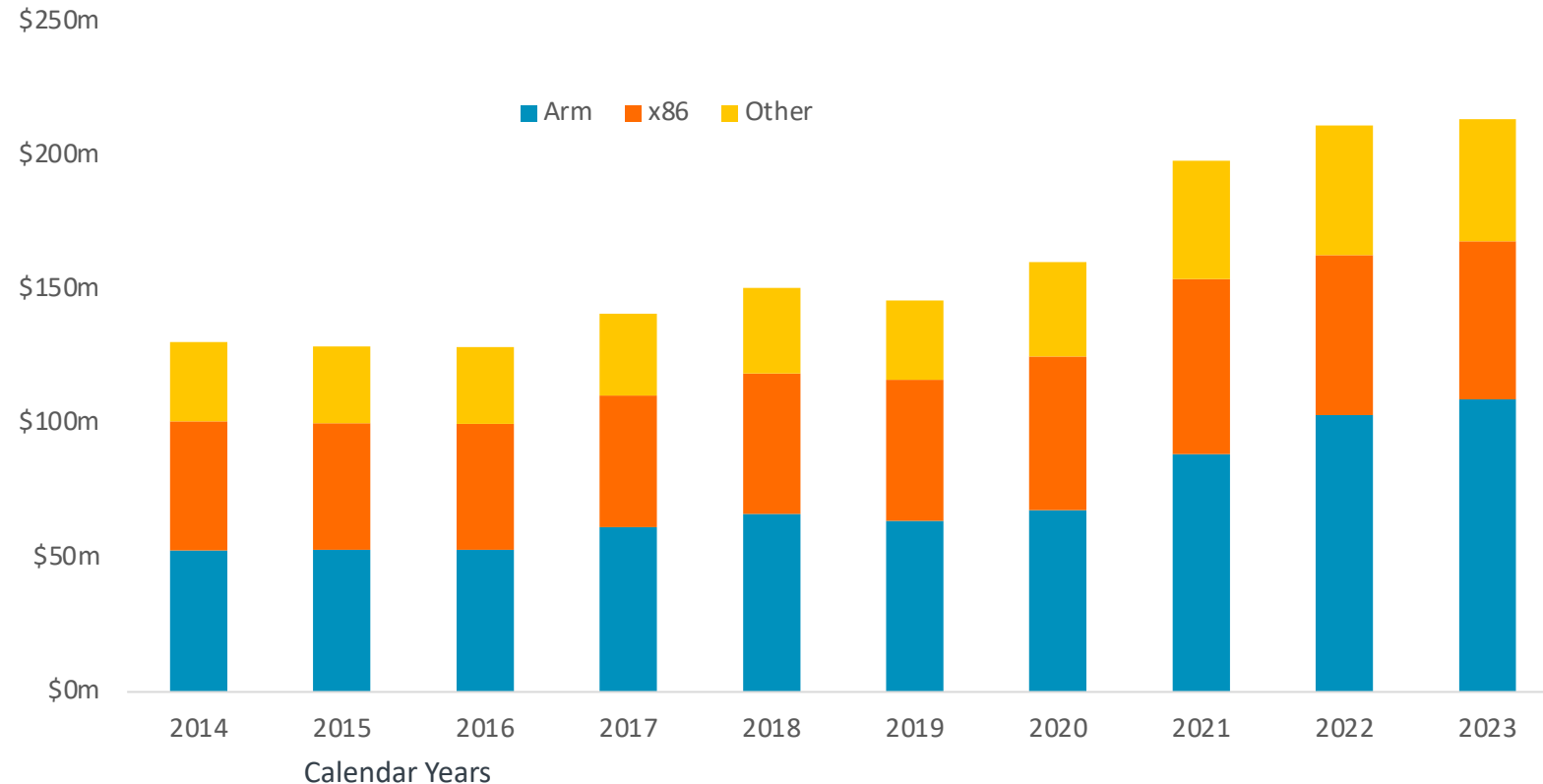
- Target markets for these licensees include automotive applications, data centers and embedded computing
- ATA licensees are typically long-term Arm partners and include more than half of our top 30 customers

+ Arm Flexible Access at 241 extant licenses, up 19 QoQ

- Targeting early-stage companies developing products for AI accelerators, automotive applications, consumer electronics, robotics and smart sensors

# Royalty Revenue: Arm is Gaining Share

## Market Share by Chip Value



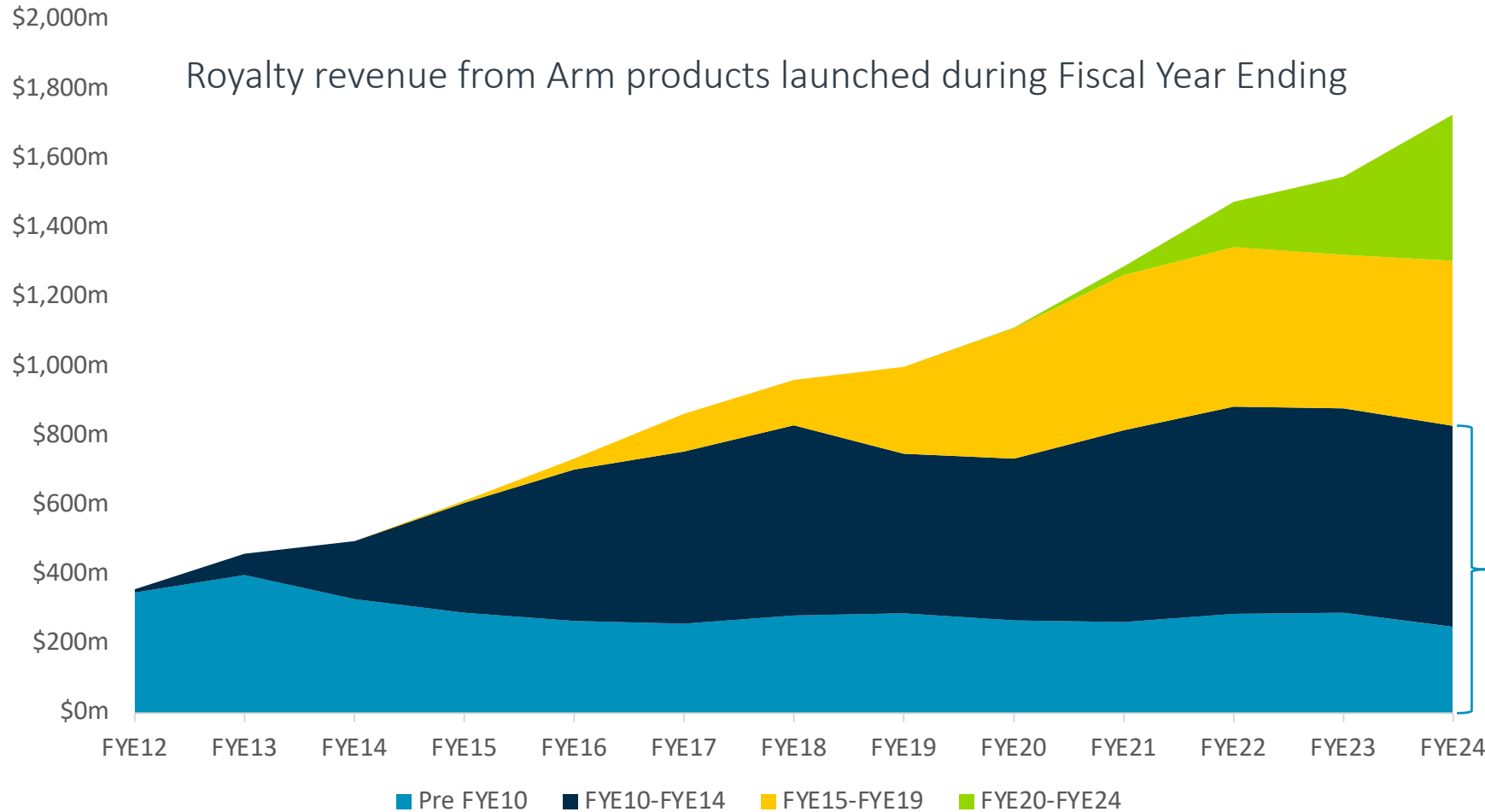
Note:

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

~50% of current royalty revenue comes from products launched +10 years ago

# Reconciliations: GAAP to Non-GAAP and Adjustments

Includes retrospective change to Non-GAAP reporting

Arm Holdings plc

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	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY	FY	FY	
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	31-Mar	31-Mar	31-Mar	
	FYE22	FYE23	FYE23	FYE23	FYE23	FYE24	FYE24	FYE24	FYE24	FYE25	FYE22	FYE23	FYE24	
<i>(in millions, except per share amounts)</i>														
<b>GAAP to Non-GAAP Reconciliation (Unaudited) (4)</b>														
<b>Reconciliation of GAAP cost of sales to Non-GAAP cost of sales:</b>														
Cost of sales	\$ (37)	\$ (25)	\$ (25)	\$ (29)	\$ (27)	\$ (31)	\$ (46)	\$ (36)	\$ (41)	\$ (33)	\$ (131)	\$ (106)	\$ (154)	
<i>Adjusted for:</i>														
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	1	1	-	9	5	4	
Share-based compensation cost (equity settled) (1)	(1)	-	-	1	1	6	19	8	6	6	1	2	39	
Employer taxes related to SBC, net of R&D tax incentives (5)(6)	-	-	-	-	-	-	-	1	7	3	-	-	8	
One-time employee benefit (7)	-	-	-	-	-	-	-	-	1	-	-	-	1	
<b>Non-GAAP cost of sales (5)</b>	<b>\$ (37)</b>	<b>\$ (23)</b>	<b>\$ (24)</b>	<b>\$ (27)</b>	<b>\$ (25)</b>	<b>\$ (24)</b>	<b>\$ (26)</b>	<b>\$ (26)</b>	<b>\$ (26)</b>	<b>\$ (24)</b>	<b>\$ (121)</b>	<b>\$ (99)</b>	<b>\$ (102)</b>	
<b>Reconciliation of GAAP gross profit to Non-GAAP gross profit:</b>														
Gross profit	\$ 620	\$ 667	\$ 605	\$ 695	\$ 606	\$ 644	\$ 760	\$ 788	\$ 887	\$ 906	\$ 2,572	\$ 2,573	\$ 3,079	
<i>Adjusted for:</i>														
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	1	1	-	9	5	4	
Share-based compensation cost (equity settled) (1)	(1)	-	-	1	1	6	19	8	6	6	1	2	39	
Employer taxes related to SBC, net of R&D tax incentives (5)(6)	-	-	-	-	-	-	-	1	7	3	-	-	8	
One-time employee benefit (7)	-	-	-	-	-	-	-	-	1	-	-	-	1	
<b>Non-GAAP gross profit (5)</b>	<b>\$ 620</b>	<b>\$ 669</b>	<b>\$ 606</b>	<b>\$ 697</b>	<b>\$ 608</b>	<b>\$ 651</b>	<b>\$ 780</b>	<b>\$ 798</b>	<b>\$ 902</b>	<b>\$ 915</b>	<b>\$ 2,582</b>	<b>\$ 2,580</b>	<b>\$ 3,131</b>	



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

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	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 Q4 31-Mar FYE24	Actual Q1 30-Jun FYE25	Actual FY 31-Mar FYE22	Actual FY 31-Mar FYE23	Actual FY 31-Mar FYE24
<i>(in millions, except per share amounts)</i>													
<b>GAAP to Non-GAAP Reconciliation (Unaudited) (4)</b>													
<b>Reconciliation of GAAP research and development operating expenses to Non-GAAP research and development operating expenses:</b>													
Research and development	\$ (341)	\$ (218)	\$ (248)	\$ (286)	\$ (381)	\$ (337)	\$ (626)	\$ (432)	\$ (584)	\$ (485)	\$ (995)	\$ (1,133)	\$ (1,979)
<i>Adjusted for:</i>													
Share-based compensation cost (equity settled) (1)(2)(3)	5	0	(0)	0	0	0	0	0	0	0	0	0	0
Employer taxes related to SBC, net of R&D tax incentives (5)(6)	-	-	-	-	-	-	2	13	118	58	-	-	133
One-time employee benefit (7)	-	-	-	-	-	-	-	-	13	-	-	-	13
Other operating income (expenses), net	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non-GAAP research and development operating expenses (5)</b>	<b>\$ (336)</b>	<b>\$ (217)</b>	<b>\$ (250)</b>	<b>\$ (270)</b>	<b>\$ (358)</b>	<b>\$ (241)</b>	<b>\$ (281)</b>	<b>\$ (280)</b>	<b>\$ (326)</b>	<b>\$ (298)</b>	<b>\$ (976)</b>	<b>\$ (1,095)</b>	<b>\$ (1,128)</b>
<b>Reconciliation of GAAP selling, general and administrative operating expenses to Non-GAAP selling, general and administrative operating expenses:</b>													
Selling, general and administrative	\$ (321)	\$ (153)	\$ (172)	\$ (163)	\$ (274)	\$ (196)	\$ (290)	\$ (216)	\$ (281)	\$ (239)	\$ (897)	\$ (762)	\$ (983)
<i>Adjusted for:</i>													
Acquisition-related intangible asset amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation cost (equity settled) (1)(2)(3)	(1)	(8)	1	13	14	44	147	49	53	47	10	20	293
Employer taxes related to SBC, net of R&D tax incentives (5)(6)	-	-	-	-	-	-	1	9	38	23	-	-	48
One-time employee benefit (7)	-	-	-	-	-	-	-	-	5	-	-	-	5
Public company readiness costs	6	8	13	12	9	14	27	1	-	-	11	42	42
Other operating income (expenses), net	-	-	-	-	-	-	-	-	-	-	1	-	-
Costs associated with disposal activities	1	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non-GAAP selling, general and administrative operating expenses (5)</b>	<b>\$ (315)</b>	<b>\$ (153)</b>	<b>\$ (158)</b>	<b>\$ (138)</b>	<b>\$ (251)</b>	<b>\$ (138)</b>	<b>\$ (115)</b>	<b>\$ (157)</b>	<b>\$ (185)</b>	<b>\$ (169)</b>	<b>\$ (875)</b>	<b>\$ (700)</b>	<b>\$ (595)</b>
<b>Reconciliation of GAAP impairment of long-lived assets operating expenses to Non-GAAP impairment of long-lived assets operating expenses:</b>													
Impairment of long-lived assets	\$ (16)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (21)	\$ -	\$ -
<i>Adjusted for:</i>													
Impairment of long-lived assets	16	-	-	-	-	-	-	-	-	-	21	-	-
<b>Non-GAAP impairment of long-lived assets operating expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of GAAP disposal, restructuring and other operating expenses, net to Non-GAAP disposal, restructuring and other operating expenses, net:</b>													
Disposal, restructuring and other operating expenses, net	\$ (26)	\$ (2)	\$ (2)	\$ (2)	\$ (1)	\$ -	\$ -	\$ (6)	\$ -	\$ -	\$ (26)	\$ (7)	\$ (6)
<i>Adjusted for:</i>													
Other operating income (expenses), net	-	-	-	-	-	-	-	6	-	-	-	-	6
Costs associated with disposal activities	-	(1)	2	2	1	-	-	-	-	-	-	4	-
Restructuring and related costs	26	1	-	-	-	-	-	-	-	-	26	1	-
<b>Non-GAAP disposal, restructuring and other operating expenses, net</b>	<b>\$ -</b>	<b>\$ (2)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2)</b>	<b>\$ -</b>

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

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	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 Q4 31-Mar FYE24	Actual Q1 30-Jun FYE25	Actual FY 31-Mar FYE22	Actual FY 31-Mar FYE23	Actual FY 31-Mar FYE24
<i>(in millions, except per share amounts)</i>													
<b>GAAP to Non-GAAP Reconciliation (Unaudited) (4)</b>													
<b>Reconciliation of GAAP operating income (loss) to Non-GAAP operating income (loss):</b>													
Operating income (loss)	\$ (84)	\$ 294	\$ 183	\$ 244	\$ (50)	\$ 111	\$ (156)	\$ 134	\$ 22	\$ 182	\$ 633	\$ 671	\$ 111
<i>Adjusted for:</i>													
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	1	1	-	9	5	4
Cost of sales	1	2	1	1	1	1	1	1	1	-	9	5	4
Selling, general and administrative	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation cost (equity settled) (1)(2)(3)	3	(7)	(1)	30	38	146	509	196	186	182	30	60	1,037
Cost of sales	(1)	-	-	1	1	6	19	8	6	6	1	2	39
Research and development	5	1	(2)	16	23	96	343	139	127	129	19	38	705
Selling, general and administrative	(1)	(8)	1	13	14	44	147	49	53	47	10	20	293
Employer taxes related to SBC, net of R&D tax incentives (5)(6)	-	-	-	-	-	-	3	23	163	84	-	-	189
Cost of sales	-	-	-	-	-	-	-	1	7	3	-	-	8
Research and development	-	-	-	-	-	-	2	13	118	58	-	-	133
Selling, general and administrative	-	-	-	-	-	-	1	9	38	23	-	-	48
One-time employee benefit (7)	-	-	-	-	-	-	-	-	19	-	-	-	19
Cost of sales	-	-	-	-	-	-	-	-	1	-	-	-	1
Research and development	-	-	-	-	-	-	-	-	13	-	-	-	13
Selling, general and administrative	-	-	-	-	-	-	-	-	5	-	-	-	5
Public company readiness costs	6	8	13	12	9	14	27	1	-	-	11	42	42
Selling, general and administrative	6	8	13	12	9	14	27	1	-	-	11	42	42
Other operating income (expenses), net	-	-	-	-	-	-	-	6	-	-	1	-	6
Research and development	-	-	-	-	-	-	-	-	-	-	-	-	-
Selling, general and administrative	-	-	-	-	-	-	-	-	-	-	1	-	-
Other operating income (expenses), net	-	-	-	-	-	-	-	6	-	-	-	-	6
Costs associated with disposal activities	1	(1)	2	2	1	-	-	-	-	-	-	4	-
Selling, general and administrative	1	-	-	-	-	-	-	-	-	-	-	-	-
Costs associated with disposal activities	-	(1)	2	2	1	-	-	-	-	-	-	4	-
Impairment of long-lived assets	16	-	-	-	-	-	-	-	-	-	21	-	-
Restructuring and related costs	26	1	-	-	-	-	-	-	-	-	26	1	-
<b>Non-GAAP operating income (loss) (5)</b>	<b>\$ (31)</b>	<b>\$ 297</b>	<b>\$ 198</b>	<b>\$ 289</b>	<b>\$ (1)</b>	<b>\$ 272</b>	<b>\$ 384</b>	<b>\$ 361</b>	<b>\$ 391</b>	<b>\$ 448</b>	<b>\$ 731</b>	<b>\$ 783</b>	<b>\$ 1,408</b>

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

Arm Holdings plc

Published on July 31, 2024

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY	FY	FY
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	31-Mar	31-Mar	31-Mar
	FYE22	FYE23	FYE23	FYE23	FYE23	FYE24	FYE24	FYE24	FYE24	FYE25	FYE22	FYE23	FYE24
<i>(in millions, except per share amounts)</i>													
<b>GAAP to Non-GAAP Reconciliation (Unaudited) (4)</b>													
<b>Reconciliation of GAAP net income (loss) from continuing operations to Non-GAAP net income (loss) from continuing operations:</b>													
Net income (loss) from continuing operations	\$ (29)	\$ 225	\$ 114	\$ 182	\$ 3	\$ 105	\$ (110)	\$ 87	\$ 224	\$ 223	\$ 676	\$ 524	\$ 306
<i>Adjusted for operating items:</i>													
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	1	1	-	9	5	4
Share-based compensation cost (equity settled) (1)(2)(3)	3	(7)	(1)	30	38	146	509	196	186	182	30	60	1,037
Employer taxes related to SBC, net of R&D tax incentives (5)(6)	-	-	-	-	-	-	3	23	163	84	-	-	189
One-time employee benefit (7)	-	-	-	-	-	-	-	-	19	-	-	-	19
Restructuring and related costs	26	1	-	-	-	-	-	-	-	-	26	1	-
Public company readiness costs	6	8	13	12	9	14	27	1	-	-	11	42	42
Other operating income (expenses), net	-	-	-	-	-	-	-	6	-	-	1	-	6
Costs associated with disposal activities	1	(1)	2	2	1	-	-	-	-	-	-	4	-
Impairment of long-lived assets	16	-	-	-	-	-	-	-	-	-	21	-	-
<i>Adjusted for non-operating items:</i>													
(Income) loss from equity method investments, net	(41)	14	60	6	(35)	7	5	1	7	(24)	(141)	45	20
Gain on disposal of business	-	-	-	-	(4)	-	-	-	-	-	-	(4)	-
Pre-tax total non-GAAP adjustments	12	17	75	51	10	168	545	228	376	242	(43)	153	1,317
Income tax effect on non-GAAP adjustments (5)	7	(6)	(11)	(8)	5	(27)	(57)	9	(224)	(46)	30	(20)	(299)
<b>Non-GAAP net income (loss) from continuing operations (5)</b>	<b>\$ (10)</b>	<b>\$ 236</b>	<b>\$ 178</b>	<b>\$ 225</b>	<b>\$ 18</b>	<b>\$ 246</b>	<b>\$ 378</b>	<b>\$ 324</b>	<b>\$ 376</b>	<b>\$ 419</b>	<b>\$ 663</b>	<b>\$ 657</b>	<b>\$ 1,324</b>
<b>Non-GAAP net income (loss) from continuing operations per share attributable to ordinary shareholders</b>													
Basic	(0.01)	0.23	0.17	0.22	0.02	0.24	0.37	0.32	0.36	0.40	0.65	0.64	1.29
<b>Diluted</b>	<b>(0.01)</b>	<b>0.23</b>	<b>0.17</b>	<b>0.22</b>	<b>0.02</b>	<b>0.24</b>	<b>0.36</b>	<b>0.31</b>	<b>0.36</b>	<b>0.40</b>	<b>0.65</b>	<b>0.64</b>	<b>1.27</b>
<b>Weighted average ordinary shares outstanding</b>													
Basic	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,026	1,032	1,044	1,025	1,025	1,027
Diluted	1,025	1,025	1,027	1,027	1,029	1,029	1,043	1,048	1,057	1,060	1,025	1,027	1,044



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

## Arm Holdings plc

Published on July 31, 2024



	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY	FY
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	31-Mar	31-Mar
	FYE22	FYE23	FYE23	FYE23	FYE23	FYE24	FYE24	FYE24	FYE24	FYE25	FYE22	FYE23

(in millions, except per share amounts)

### GAAP to Non-GAAP Reconciliation (Unaudited) (4)

(1) For non-GAAP purposes, we adjust for those awards that are liability-classified but equity settled after the Company's initial public offering of American Depositary Shares (the "IPO"). 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 IPO.

(2) A summary of share-based compensation ("SBC") cost recognized on the Condensed Consolidated Income Statements is as follows:

Cost of sales	-	1	2	4	5	6	20	8	7	6	1	12	41
Research and development	4	6	32	65	109	103	349	142	134	129	7	212	728
Selling, general and administrative	(5)	6	12	34	50	49	149	49	54	47	18	102	301
Total	(1)	13	46	103	164	158	518	199	195	182	26	326	1,070

(3) A summary of SBC liability-classified cost recognized on the Condensed Consolidated Income Statements is as follows:

Cost of sales	1	1	2	3	4	-	1	-	-	-	-	10	1
Research and development	(1)	5	34	49	86	7	6	3	8	-	(12)	174	24
Selling, general and administrative	(4)	14	11	21	36	5	2	-	1	-	8	82	8
Total	(4)	20	47	73	126	12	9	3	9	-	(4)	266	33

(4) This should be read in conjunction with the Shareholder Letter for the first quarter of the fiscal year ending March 31, 2025 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 this 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 this 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) To improve comparability of our results, employer taxes related to share-based compensation ("SBC") for equity-classified awards, net of research and development ("R&D") tax incentives and income tax effect on non-GAAP adjustments have been recast across historical periods for trend purposes.

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

(7) Represents one-time employee benefit related to the Arm Limited All Employee Plan 2019.



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

Arm Holdings plc

Published on July 31, 2024

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY	FY	FY
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	31-Mar	31-Mar	31-Mar
	FYE22	FYE23	FYE23	FYE23	FYE23	FYE24	FYE24	FYE24	FYE24	FYE25	FYE22	FYE23	FYE24

(in millions)

Condensed Cash Flow Statement (Unaudited) (2)													
<b>Cash flows provided by (used for) operating activities:</b>													
<b>Net income (loss)</b>	\$ (29)	\$ 225	\$ 114	\$ 182	\$ 3	\$ 105	\$ (110)	\$ 87	\$ 224	\$ 223	\$ 549	\$ 524	\$ 306
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:													
Depreciation and amortization	34	42	45	43	40	41	41	42	38	43	185	170	162
Deferred income taxes	(104)	(8)	(1)	(17)	(8)	(13)	(4)	(9)	(247)	2	(76)	(34)	(273)
(Income) loss from equity investments, net	(41)	14	60	6	(35)	7	5	1	7	(24)	(141)	45	20
Impairment losses on long-lived assets and loans receivable	20	-	-	-	-	-	-	-	-	-	43	-	-
Share-based compensation cost	(1)	13	34	38	51	140	513	199	185	182	26	79	1,037
Operating lease expense	10	9	8	9	8	8	9	9	9	9	41	34	35
Other non-cash operating activities, net	15	11	(13)	(4)	-	-	(3)	1	-	1	19	(6)	(2)
Changes in assets and liabilities:													
Accounts receivable, net (including receivables from related parties)	(78)	(65)	(144)	57	277	102	33	65	18	(23)	(219)	125	218
Contract assets, net (including contract assets from related parties)	64	16	23	(32)	(9)	(32)	(55)	(67)	(153)	(242)	(158)	(2)	(307)
Prepaid expenses and other assets	41	5	8	16	(30)	1	12	(32)	(42)	6	(41)	(1)	(61)
Accrued compensation and benefits and share-based compensation (1)	288	(541)	32	111	203	(447)	5	59	91	(201)	127	(138)	(292)
Contract liabilities (including contract liabilities from related parties)	(9)	14	(2)	(22)	(27)	24	(96)	(76)	(42)	9	(51)	(37)	(190)
Tax liabilities	53	50	(11)	48	(52)	12	(76)	18	16	(4)	112	35	(30)
Operating lease liabilities	(17)	(36)	(23)	6	(5)	(4)	(13)	(1)	(10)	(11)	(59)	(58)	(28)
Other liabilities (including payables to related parties)	75	20	(54)	(30)	67	(58)	(34)	14	573	(260)	101	3	495
<b>Net cash provided by (used for) operating activities</b>	\$ 321	\$ (231)	\$ 76	\$ 411	\$ 483	\$ (114)	\$ 227	\$ 310	\$ 667	\$ (290)	\$ 458	\$ 739	\$ 1,090
<b>Cash flows provided by (used for) investing activities</b>													
Purchase of short-term investments	(280)	(225)	(440)	(320)	(126)	(260)	(125)	(155)	(225)	(50)	(750)	(1,111)	(765)
Proceeds from maturity of short-term investments	65	290	320	335	136	120	126	105	74	50	245	1,081	425
Purchases of equity investments	(1)	(3)	-	(1)	(11)	(11)	-	(21)	-	(36)	(8)	(15)	(32)
Purchases of intangible assets	(13)	(14)	(8)	(3)	(4)	-	(13)	(30)	(8)	(9)	(41)	(29)	(51)
Purchases of property and equipment	(7)	(12)	(26)	(10)	(16)	(26)	(34)	(21)	(11)	(29)	(34)	(64)	(92)
Other investing activities, net, including investments in convertible loans	-	-	-	-	-	-	-	(1)	-	-	(31)	-	(1)
<b>Net cash provided by (used for) investing activities</b>	\$ (236)	\$ 36	\$ (154)	\$ 1	\$ (21)	\$ (177)	\$ (46)	\$ (123)	\$ (170)	\$ (74)	\$ (619)	\$ (138)	\$ (516)

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

## Arm Holdings plc

Published on July 31, 2024



	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY	FY	FY
	31-Mar FYE22	30-Jun FYE23	30-Sep FYE23	31-Dec FYE23	31-Mar FYE23	30-Jun FYE24	30-Sep FYE24	31-Dec FYE24	31-Mar FYE24	30-Jun FYE25	31-Mar FYE22	31-Mar FYE23	31-Mar FYE24
<i>(in millions)</i>													
<b>Condensed Cash Flow Statement (Unaudited) (2)</b>													
<b>Cash flows provided by (used for) financing activities</b>													
Cash transfers associated with distribution and sale of Treasure Data and IoTP, respectively	-	-	-	-	-	-	-	-	-	-	(43)	-	-
Proceeds from short-term debt borrowing	-	-	-	-	-	-	-	-	-	-	(37)	-	-
Payment of intangible asset obligations	(8)	(11)	(9)	(11)	(9)	(10)	(11)	(8)	(11)	(20)	50	(40)	(40)
Other financing activities, net	(2)	-	-	(1)	(1)	(5)	(1)	(4)	-	(4)	(2)	(2)	(10)
Payment of withholding tax on vested shares	-	-	-	-	-	-	(12)	(36)	(110)	(72)	-	-	(158)
<b>Net cash provided by (used for) financing activities</b>	<b>(10)</b>	<b>(11)</b>	<b>(9)</b>	<b>(12)</b>	<b>(10)</b>	<b>(15)</b>	<b>(24)</b>	<b>(48)</b>	<b>(121)</b>	<b>(96)</b>	<b>(32)</b>	<b>(42)</b>	<b>(208)</b>
Effect of foreign exchange rate changes on cash and cash equivalents	(10)	(10)	(11)	11	1	-	1	6	(4)	2	(17)	(9)	3
Net increase (decrease) in cash and cash equivalents	65	(216)	(98)	411	453	(306)	158	145	372	(458)	(210)	550	369
Cash and cash equivalents at the beginning of the period	939	1,004	788	690	1,101	1,554	1,248	1,406	1,551	1,923	1,214	1,004	1,554
Cash and cash equivalents at the end of the period	1,004	788	690	1,101	1,554	1,248	1,406	1,551	1,923	1,465	1,004	1,554	1,923
<b>Cash and cash equivalents from continuing operations, end of the period</b>	<b>\$ 1,004</b>	<b>\$ 788</b>	<b>\$ 690</b>	<b>\$ 1,101</b>	<b>\$ 1,554</b>	<b>\$ 1,248</b>	<b>\$ 1,406</b>	<b>\$ 1,551</b>	<b>\$ 1,923</b>	<b>\$ 1,465</b>	<b>\$ 1,004</b>	<b>\$ 1,554</b>	<b>\$ 1,923</b>
<b>Free Cash Flow (Unaudited) (2)</b>													
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 321</b>	<b>\$ (231)</b>	<b>\$ 76</b>	<b>\$ 411</b>	<b>\$ 483</b>	<b>\$ (114)</b>	<b>\$ 227</b>	<b>\$ 310</b>	<b>\$ 667</b>	<b>\$ (290)</b>	<b>\$ 458</b>	<b>\$ 739</b>	<b>\$ 1,090</b>
<i>Adjusted for:</i>													
Purchases of property and equipment	(7)	(12)	(26)	(10)	(16)	(26)	(34)	(21)	(11)	(29)	(34)	(64)	(92)
Purchases of intangible assets	(13)	(14)	(8)	(3)	(4)	-	(13)	(30)	(8)	(9)	(41)	(29)	(51)
Payment of intangible asset obligations	(8)	(11)	(9)	(11)	(9)	(10)	(11)	(8)	(11)	(20)	50	(40)	(40)
<b>Non-GAAP free cash flow</b>	<b>\$ 293</b>	<b>\$ (268)</b>	<b>\$ 33</b>	<b>\$ 387</b>	<b>\$ 454</b>	<b>\$ (150)</b>	<b>\$ 169</b>	<b>\$ 251</b>	<b>\$ 637</b>	<b>\$ (348)</b>	<b>\$ 433</b>	<b>\$ 606</b>	<b>\$ 907</b>

- (1) For the fiscal year ended March 31, 2023, the quarterly values for share-based compensation expense and accrued compensation and benefits will not sum to their respective full year total, each having an offsetting variance of \$57m. This resulted from certain equity-settled awards being converted to liability-settled during the quarter ended December 31, 2022, and all related expenses incurred up through the prior quarter were reclassified from Equity to Liability. This variance is one-time, known and expected, and has no impact to overall cash flow.
- (2) This should be read in conjunction with our Form 6-K to be filed with the Securities and Exchange Commission (SEC) on August 1, 2024, and the Shareholder Letter for the first quarter of the fiscal year ending March 31, 2025 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.

