



Arm Holdings plc Q1 FYE27 Investor Presentation

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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 (loss), non-GAAP gross margin, non-GAAP research and development operating expenses, non-GAAP selling, general and administrative operating expenses, non-GAAP disposal, restructuring and other operating expenses, net, non-GAAP total operating expense, non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP income (loss) from equity investments, 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, other operating income (expenses), net, (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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Q1 FYE27: Highlights

OPERATING HIGHLIGHTS

\$1,289m

Total revenue up 22% YoY

\$733m

Non-GAAP Operating Expenses

\$1,397m

Trailing 12 Months Non-GAAP FCF

arm

INNOVATION HIGHLIGHTS

+350bn 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.

Arm AGI CPU chip introduced for cloud & AI data centers

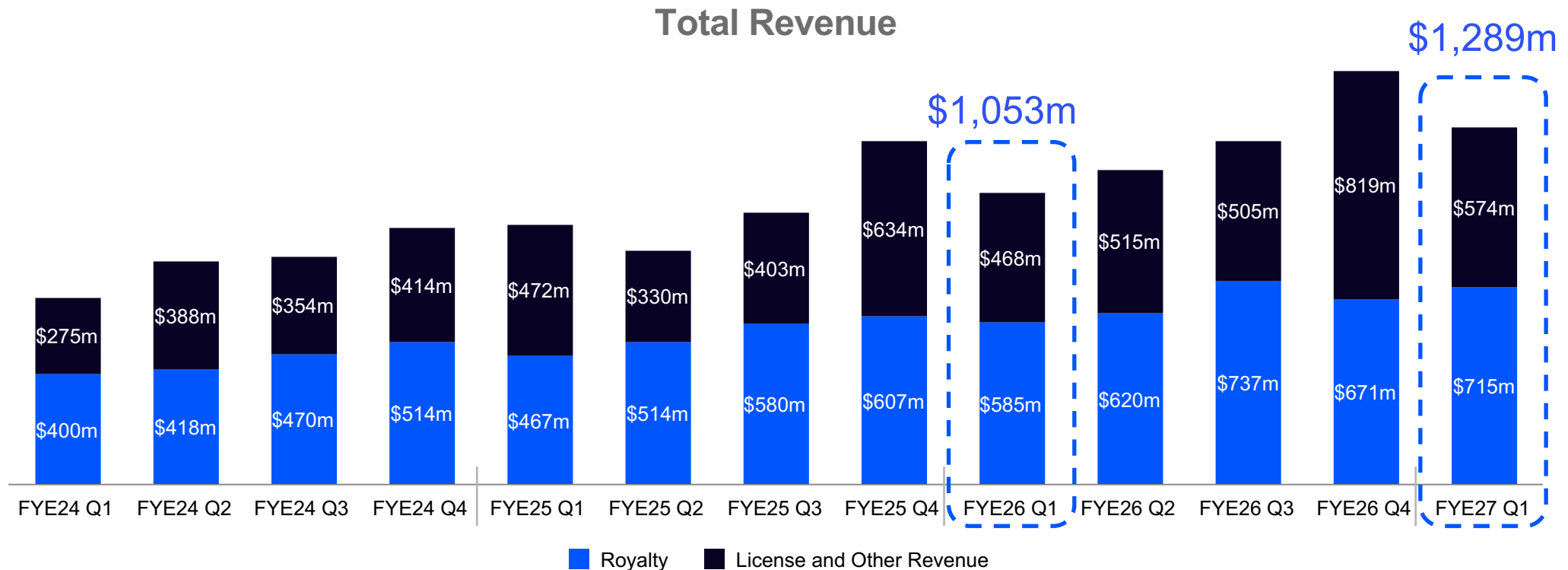
Arm's first production silicon was co-developed with Meta. Demand is much higher than supply.

Compute Subsystem gains traction

Arm signed another two CSS licenses in the quarter, for chips that will be used in smartphones and autonomous driving

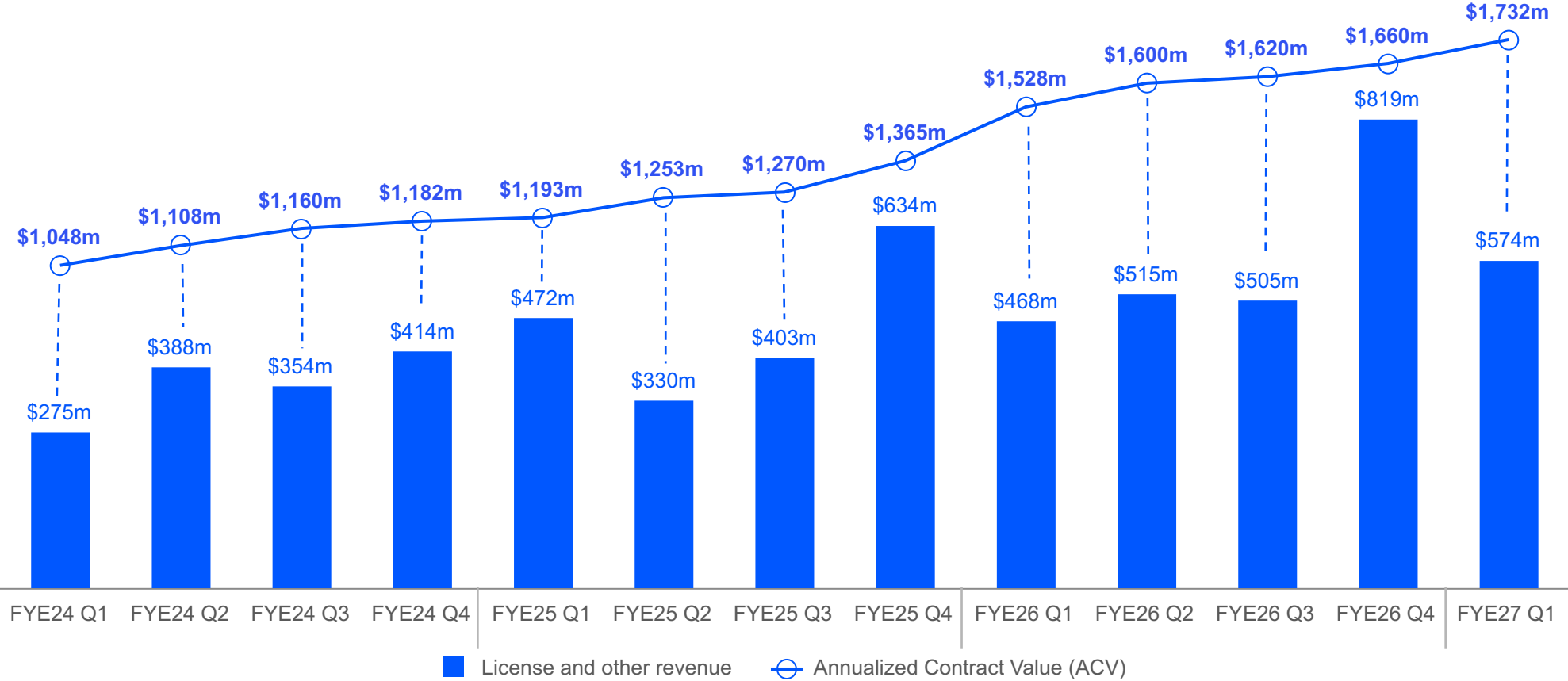
Q1 FYE27: Licensing and royalty revenues

- Total revenue: \$1,289 up 22% YoY
- Royalty revenue: \$715 up 22% YoY driven by the continued adoption of Arm technology with higher royalty rates per chip, such as Armv9 architecture and Arm CSS, and increased usage of Arm-based chips in data centers
- License and other revenue: \$574 up 23% 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

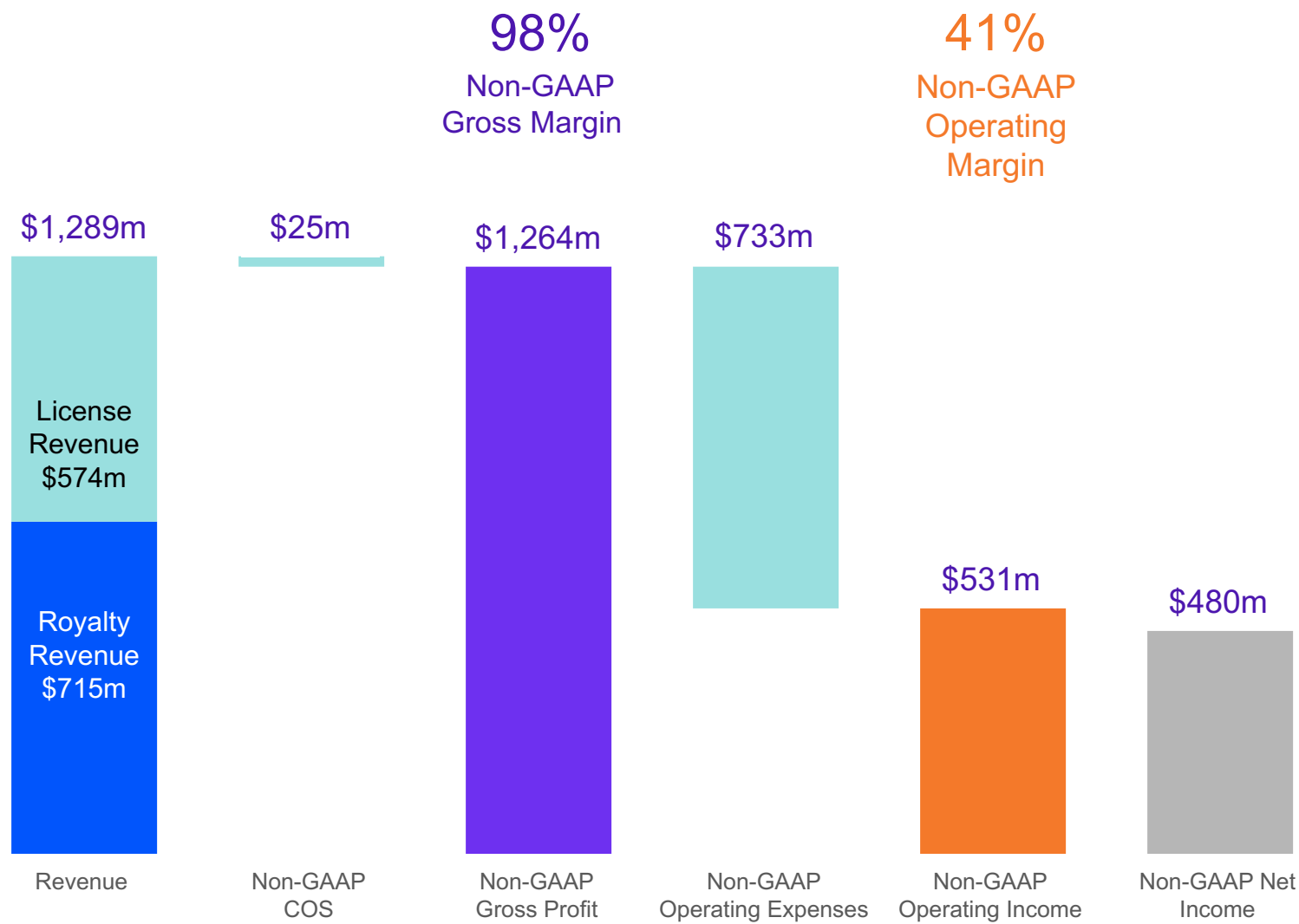


Q1 FYE27: Annualized Contract Value

- Annualized contract value, a metric for normalized license and other revenue, increased 13% YoY in Q1



Q1 FYE27: From Revenues to Profits



Notes:
1. Depreciation and amortization for Q1 FYE27 was \$75m
2. See appendix for reconciliation of Non-GAAP metrics to the most directly comparable GAAP metrics.

Near-Term Guidance

	Q2 FYE27
Revenue (\$m)	\$1,380bn +/- \$50m
Non-GAAP Operating Expense (\$m) ¹	~\$780m
Non-GAAP fully diluted earnings per share (\$) ¹	\$0.47 +/- \$0.04

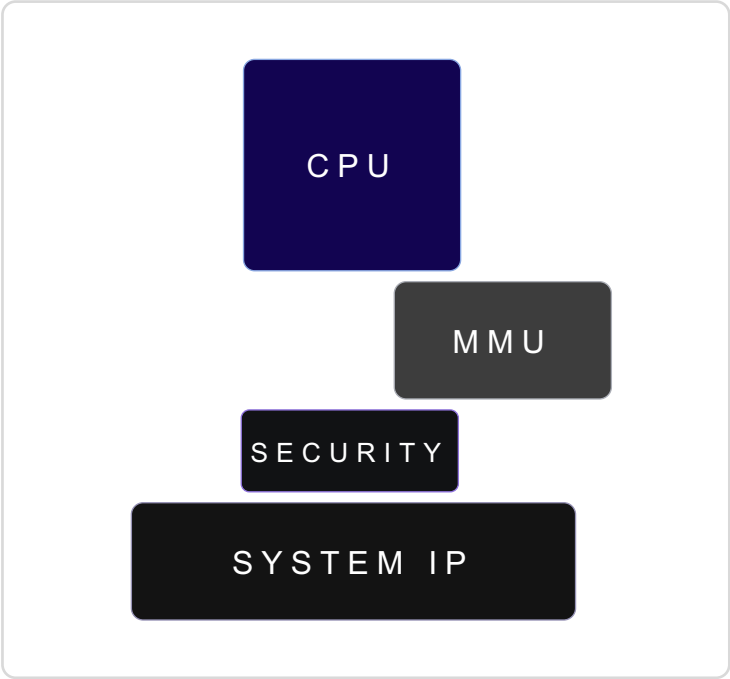
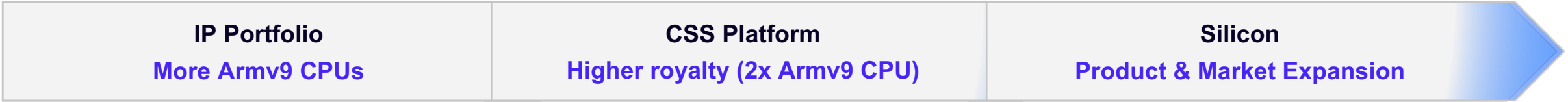
(1) For more information and definitions of the non-GAAP measures see the “Key Financial and Operating Metrics” section of our most recent Shareholder Letter, available at <https://investors.arm.com/>. A reconciliation of each of the projected non-GAAP operating expense and non-GAAP fully diluted earnings 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.



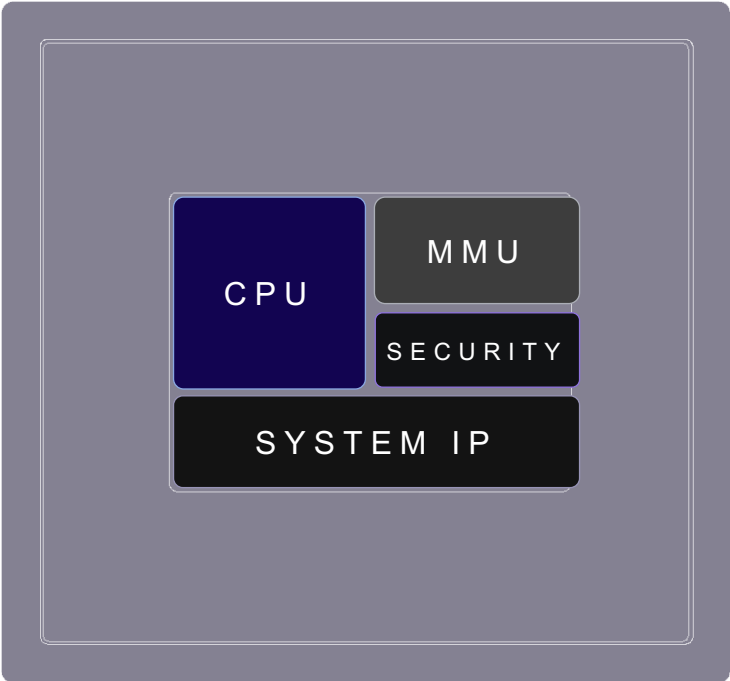
Expanding Arm's product mix and market opportunity



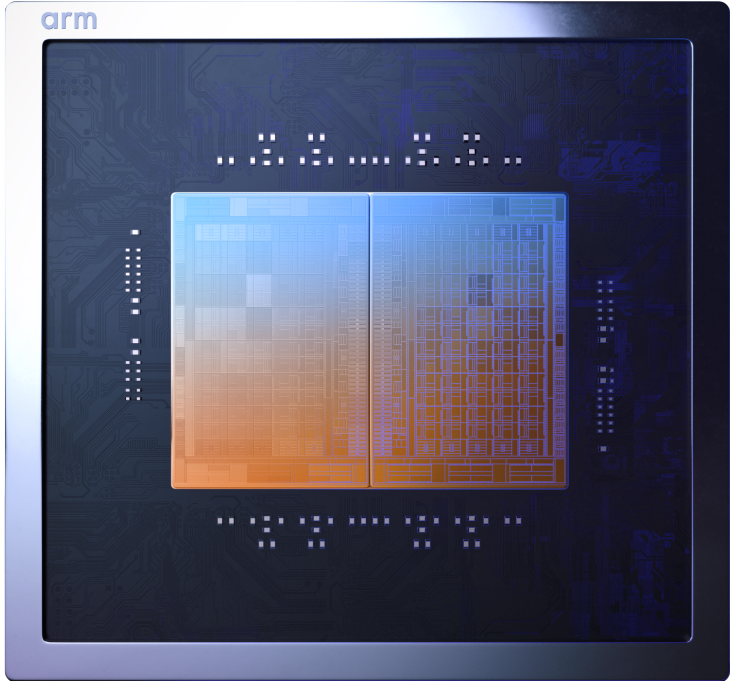
Arm has expanded its product mix and market opportunity



Performance per watt



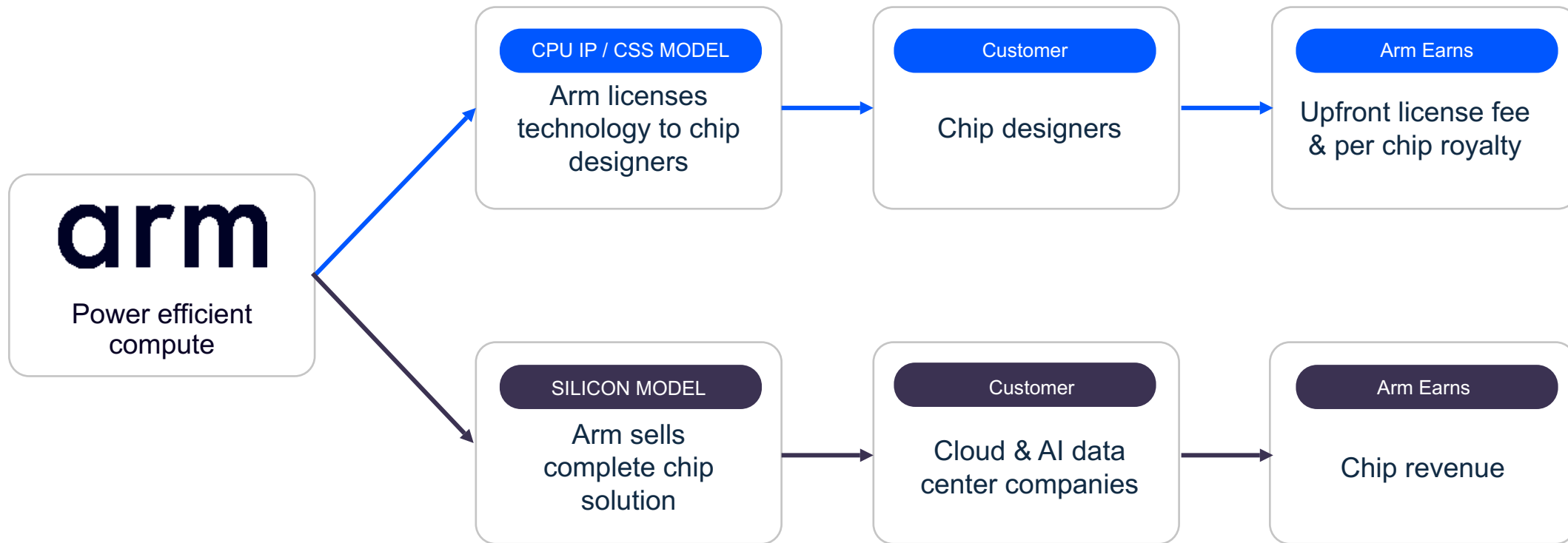
Integrated & validated systems



Optimized chip family
for cloud and AI data centers

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



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 2030¹



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.

Arm's opportunity spans three areas with shared growth drivers

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

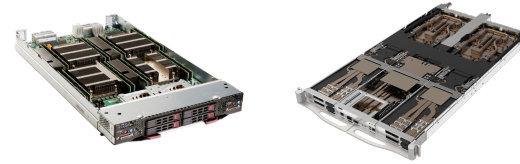
Cloud AI:

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

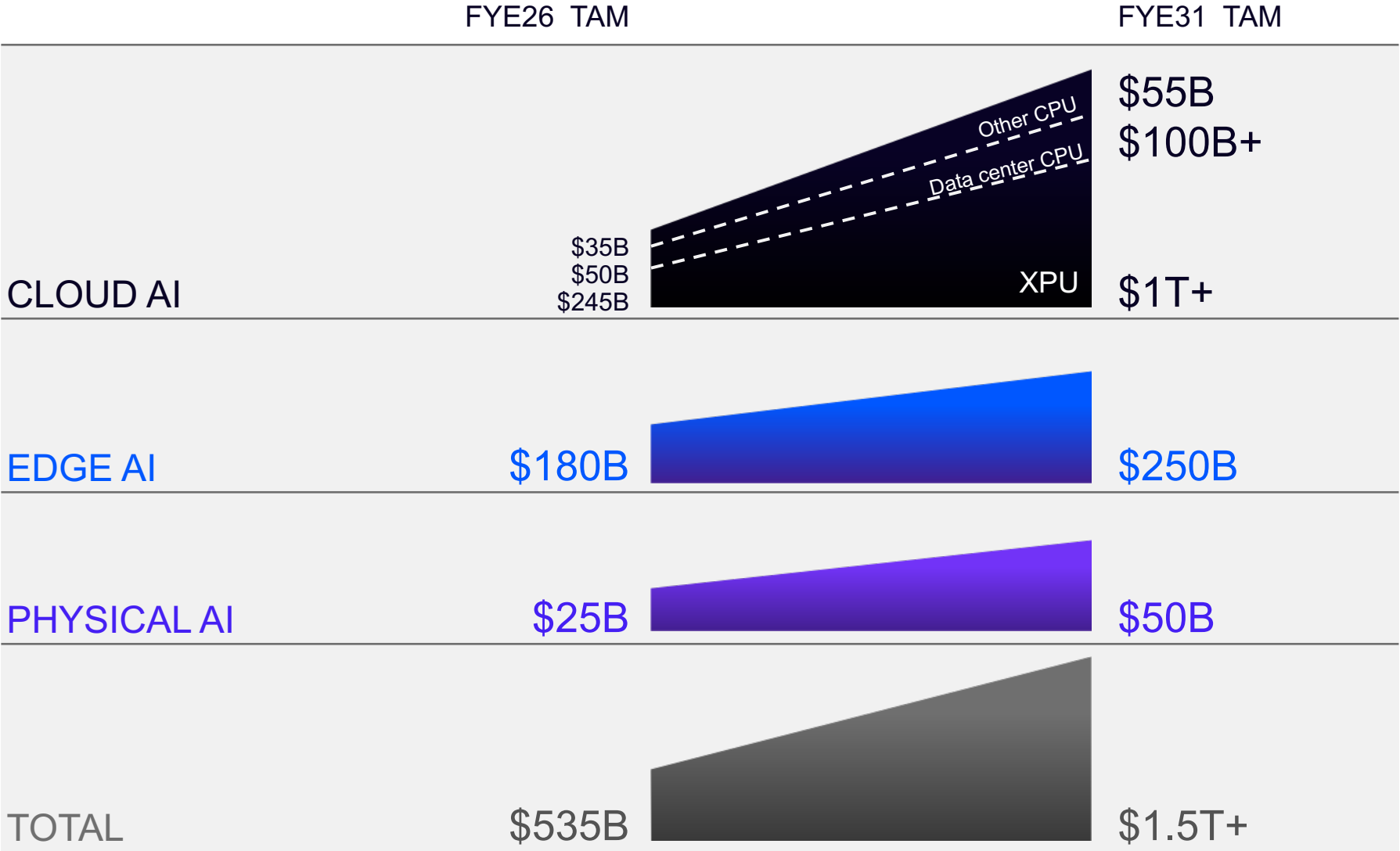
Autonomous and AI-defined vehicles



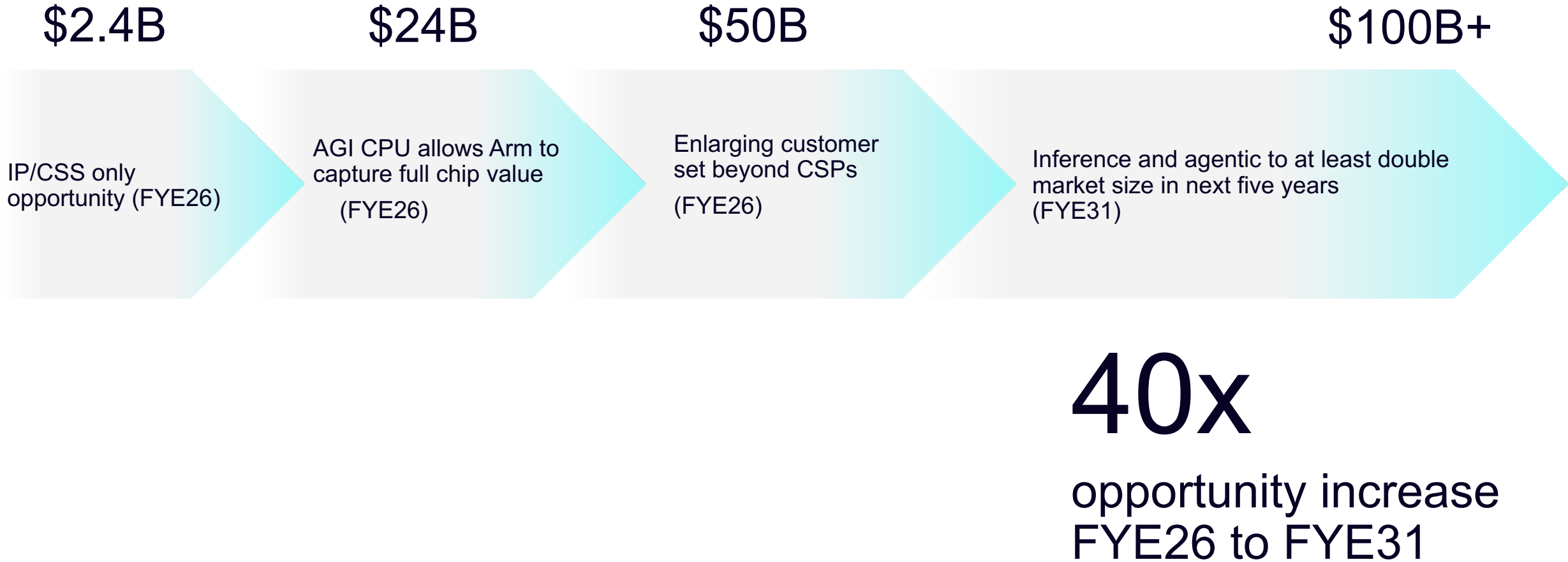
Robotics



Massive and growing semiconductor market



Arm AGI CPU expands our opportunity in Cloud AI TAM



Agentic AI changes everything

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

- From answers to actions:

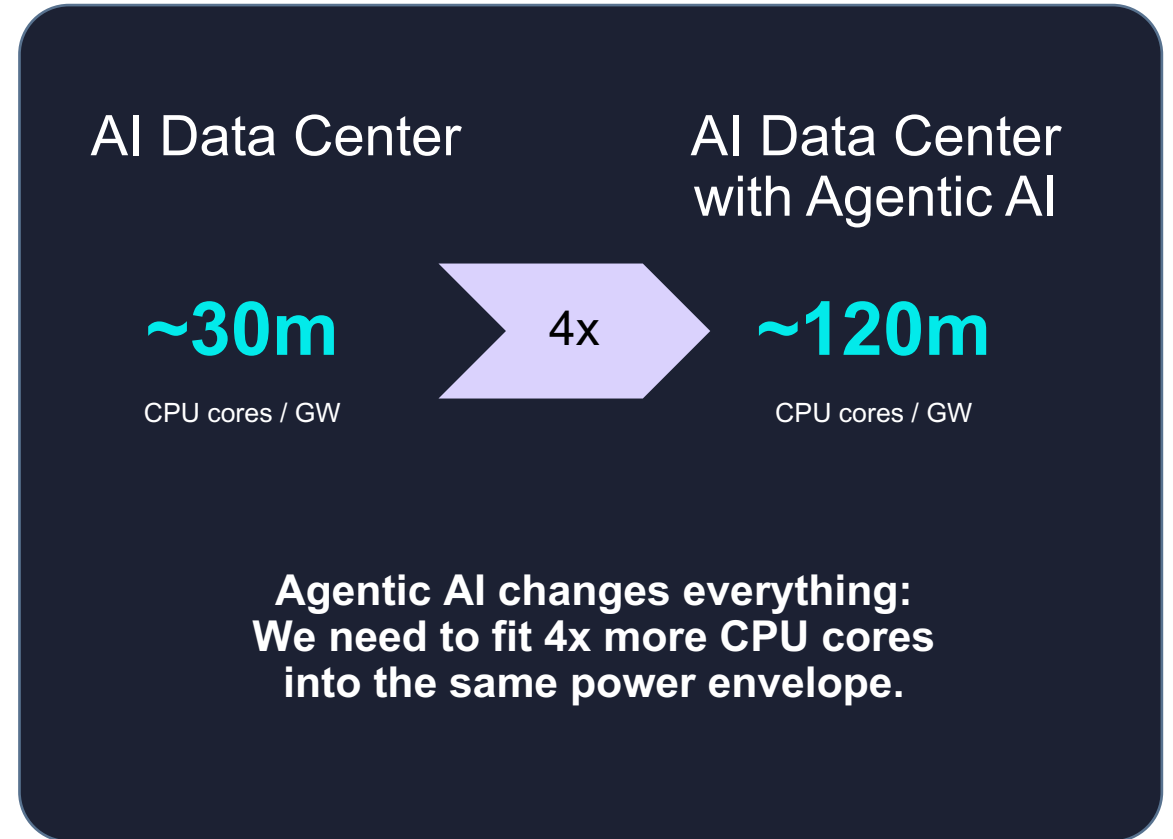
Agents do not just answer a prompt; they execute workflows asynchronously and continuously.

- >15x more requests per user:

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

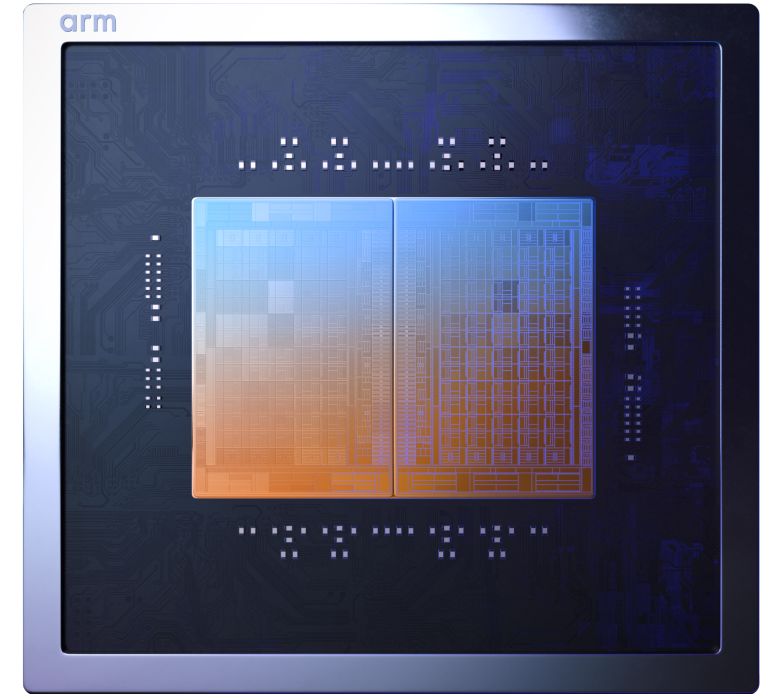
- The bottleneck shifts to the CPU:

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



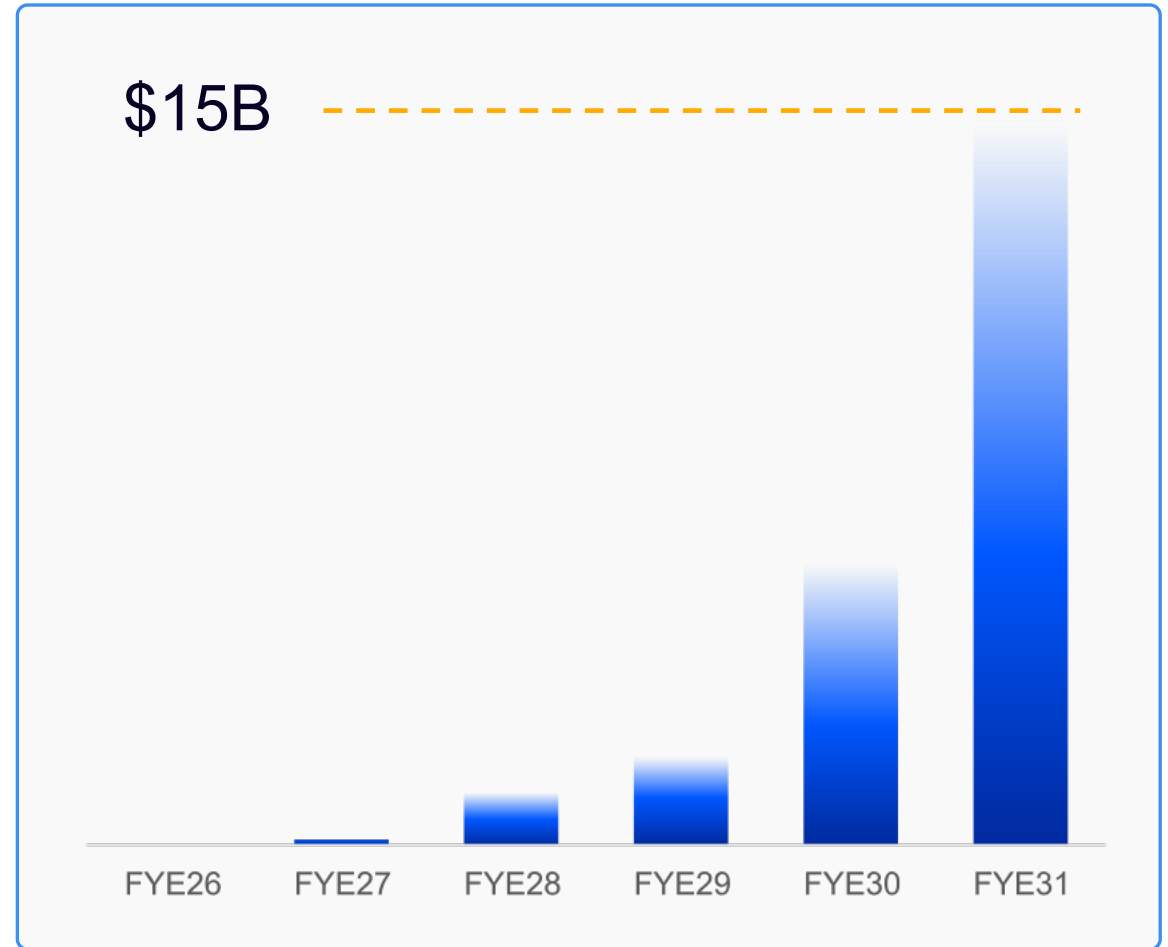
Introducing the first phase of Arm's market expansion

- 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



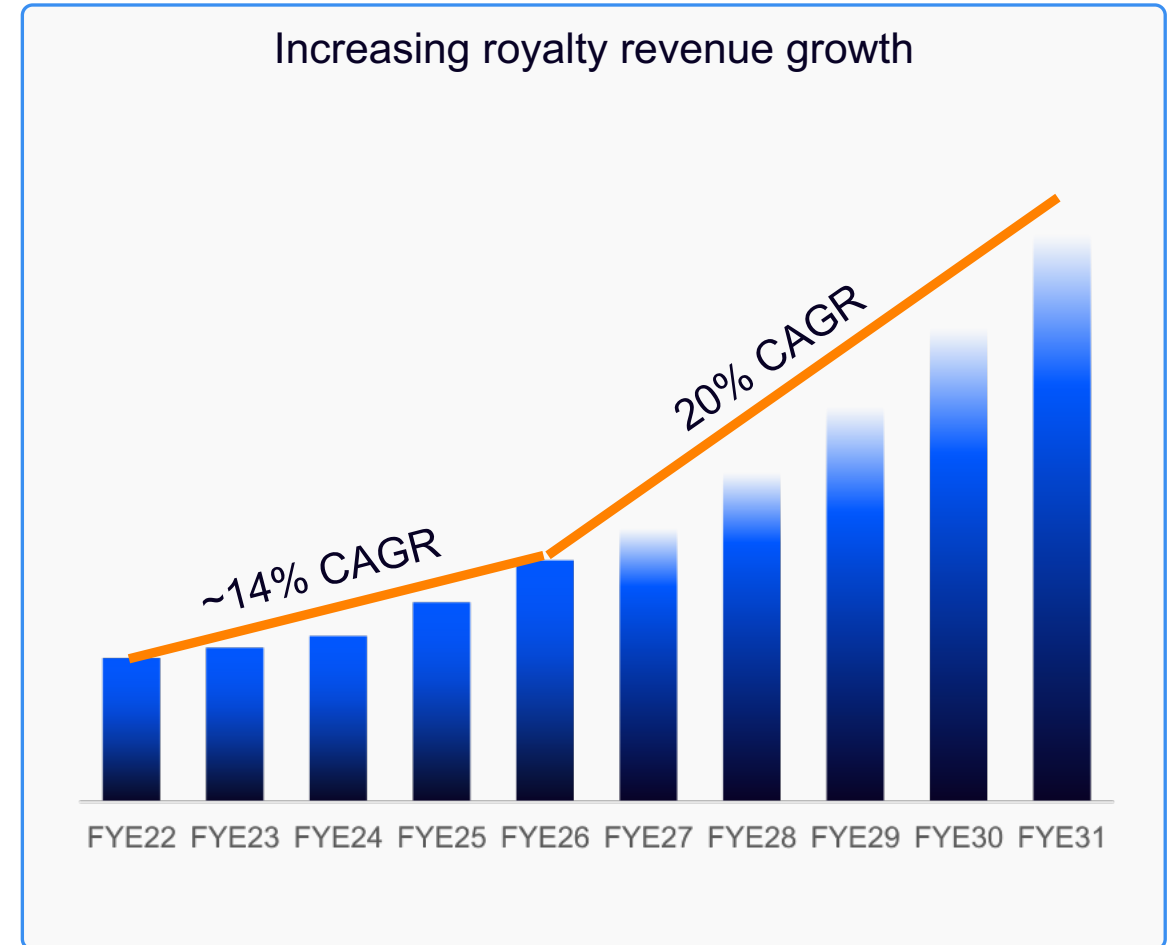
Landing the Arm AGI CPU business

- Began with demand pull from new customers
- Arm is uniquely positioned to provide AGI CPU as most of CPU chips are mainly based on Arm IP
- FYE28 is expected to be the first year for meaningful Arm AGI CPU revenue
- Revenue to ramp exponentially to ~\$15B in FYE31
- Not expected to cannibalize Arm's existing IP/CSS business



Royalty revenue growth drivers

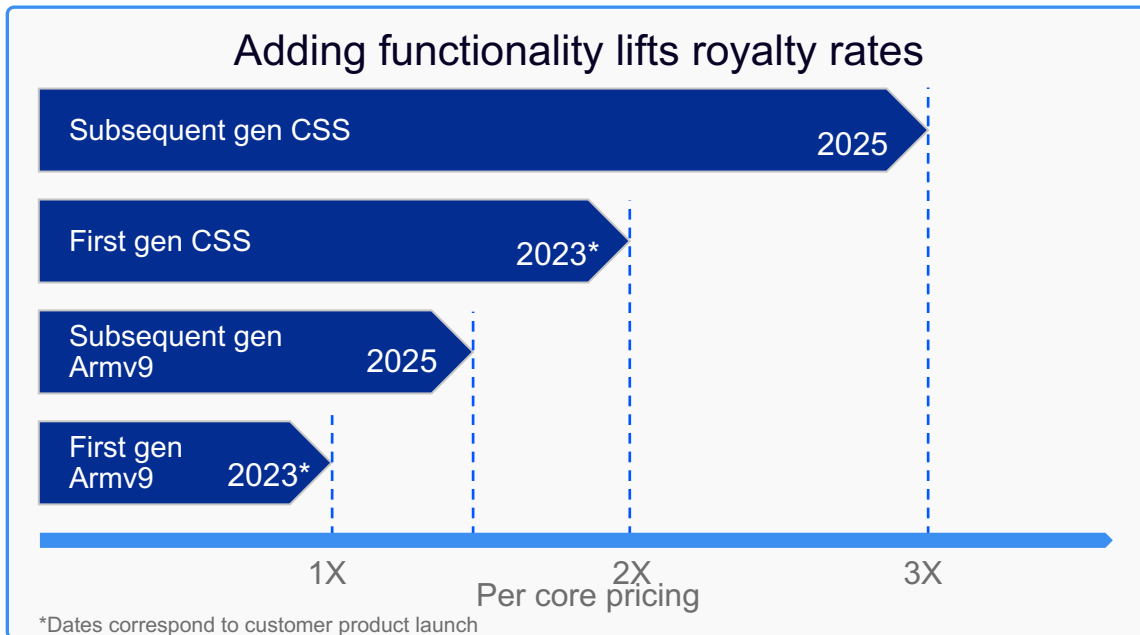
- Royalty revenue drivers have been
 - End market growth
 - Market share gains
 - Increasing complexity and more cores per chip
 - Higher royalty rates from more advanced Arm technology (Armv9, CSS)
- Royalty revenue forecast to grow at a 20% CAGR from FYE26 – FYE31



Royalty revenue growth drivers

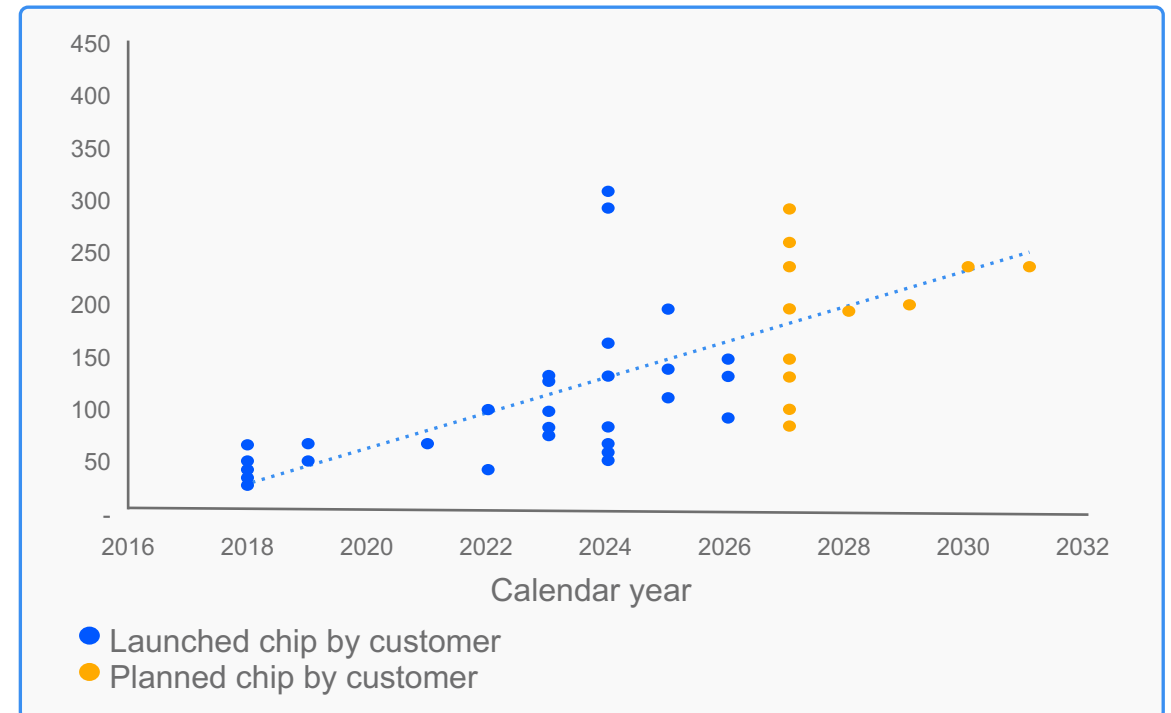
Technology Improvements

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



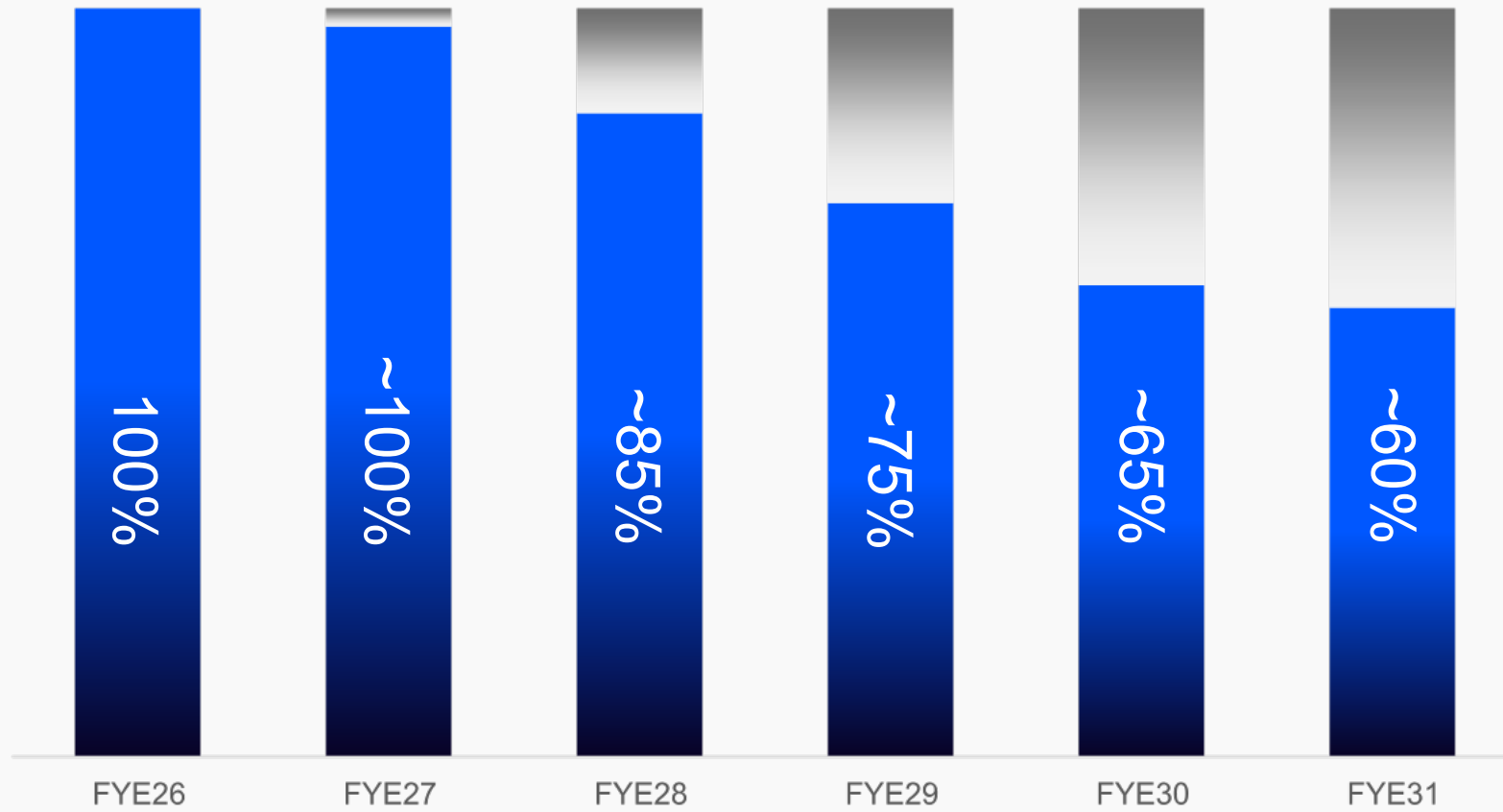
Higher Core Count

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



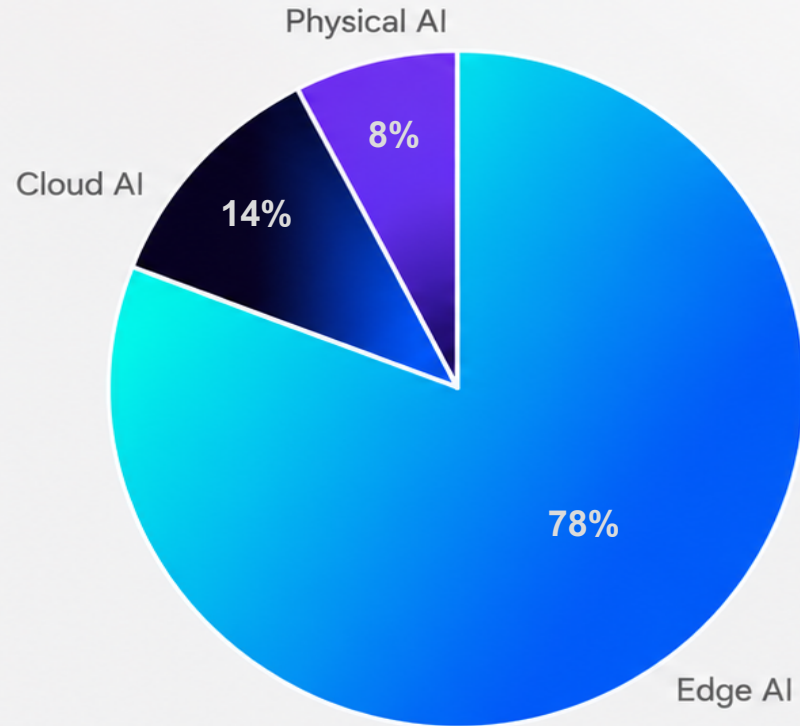
Royalty revenue – percentage in contract drives high confidence

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

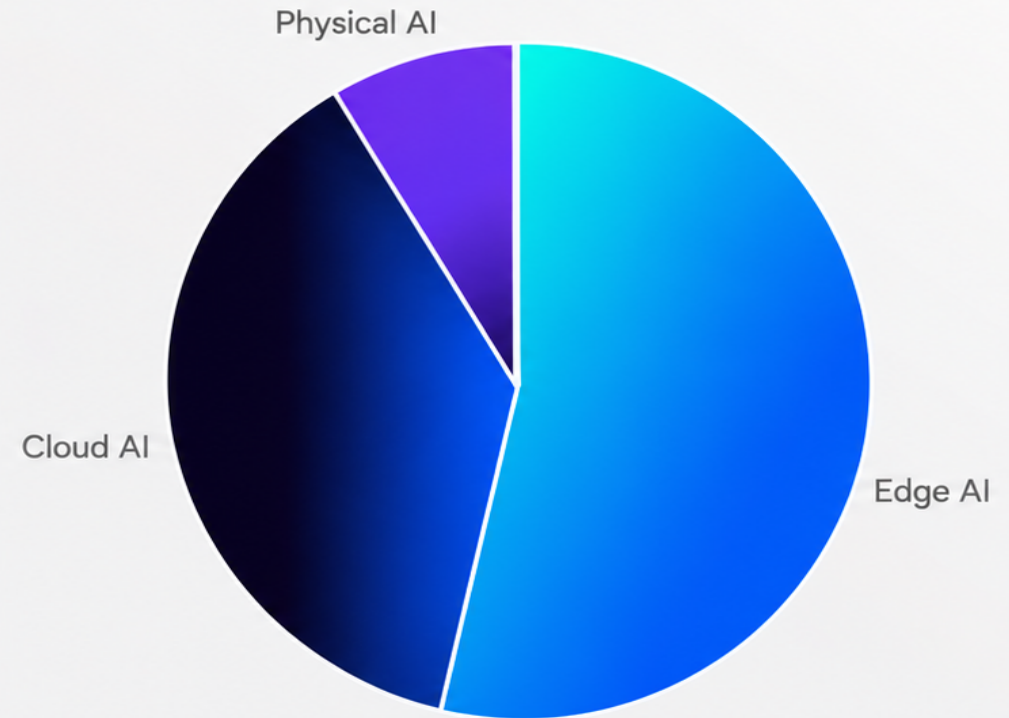


Cloud AI will be our fastest growing royalty revenue driver

Royalty revenue mix in FYE26
(not including Arm AGI CPU family)

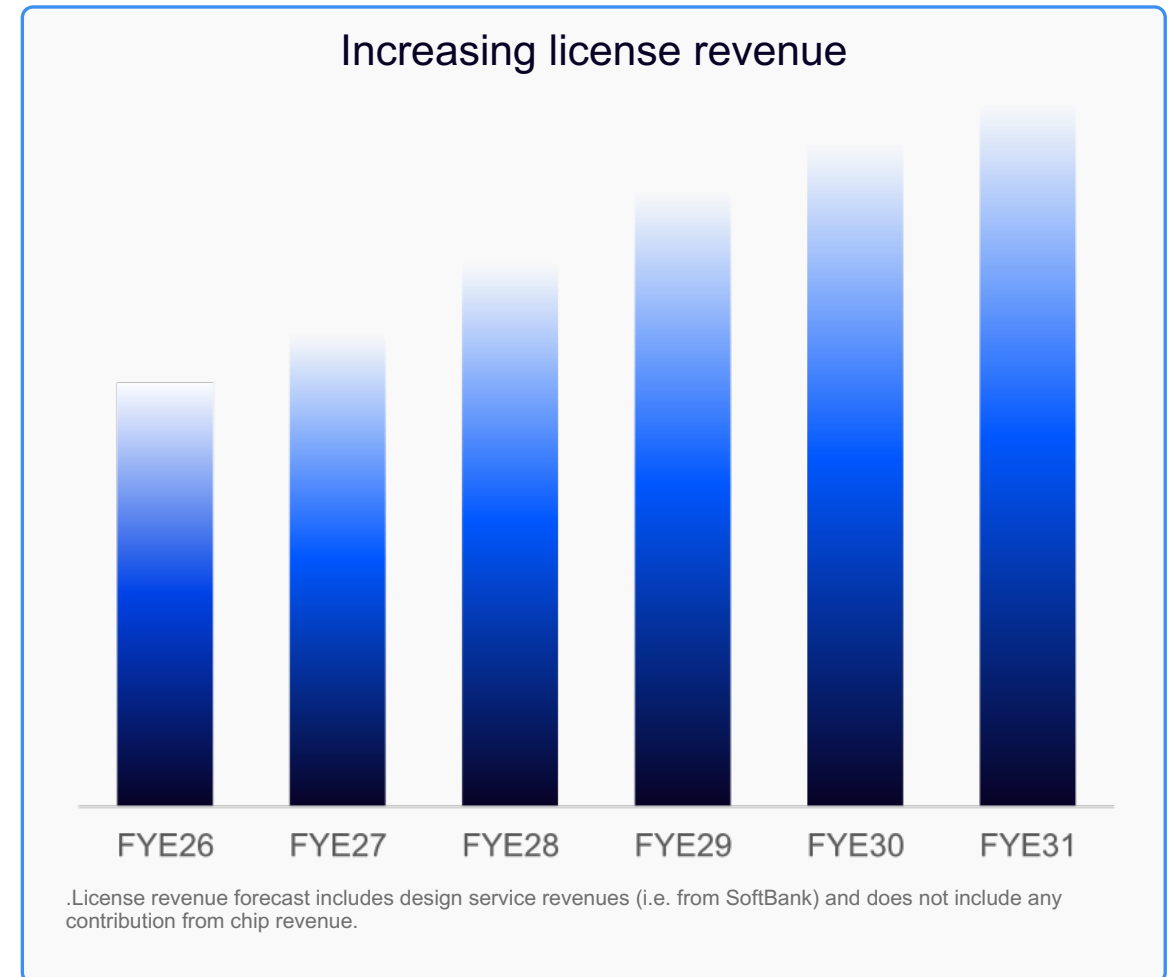


Royalty revenue mix in FYE31
(not including Arm AGI CPU family)



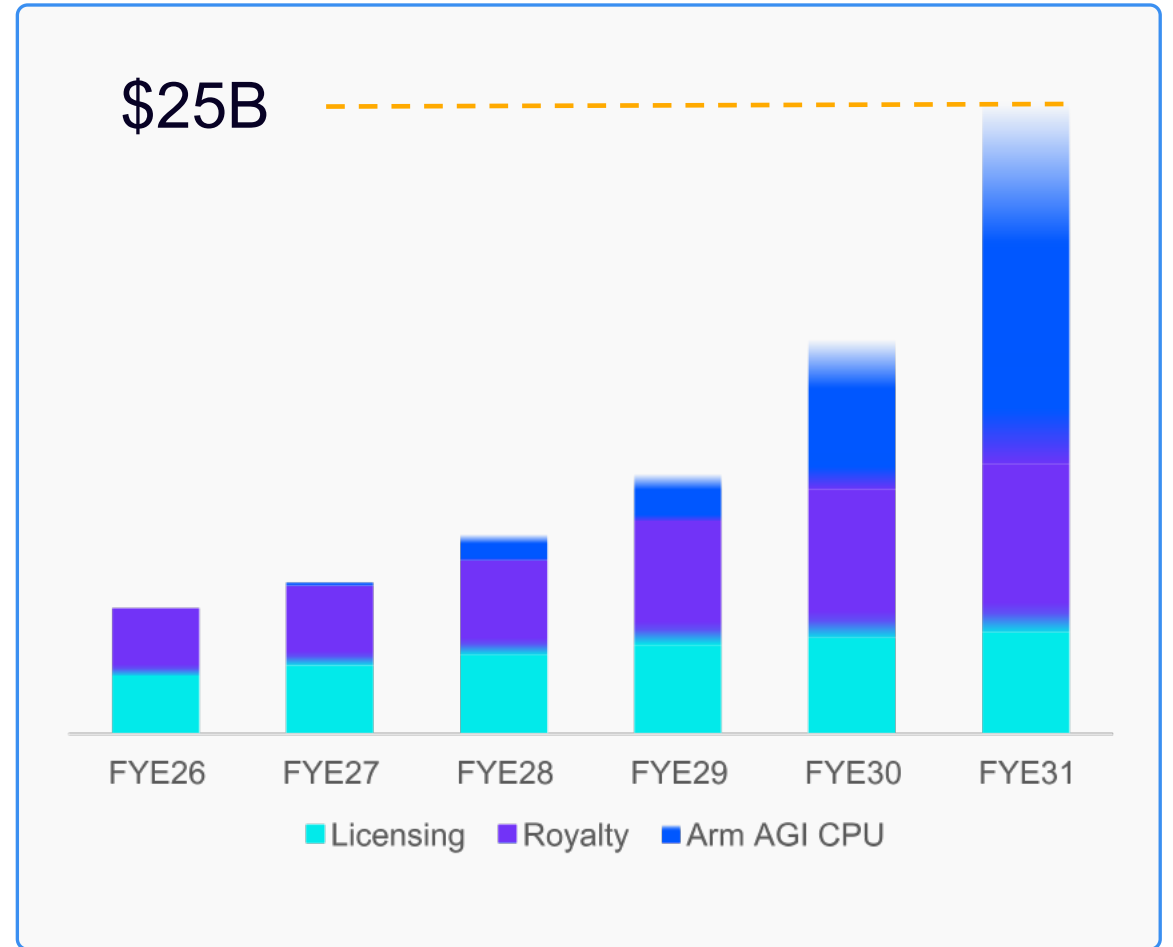
Robust licensing growth today enables future royalty growth

- 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



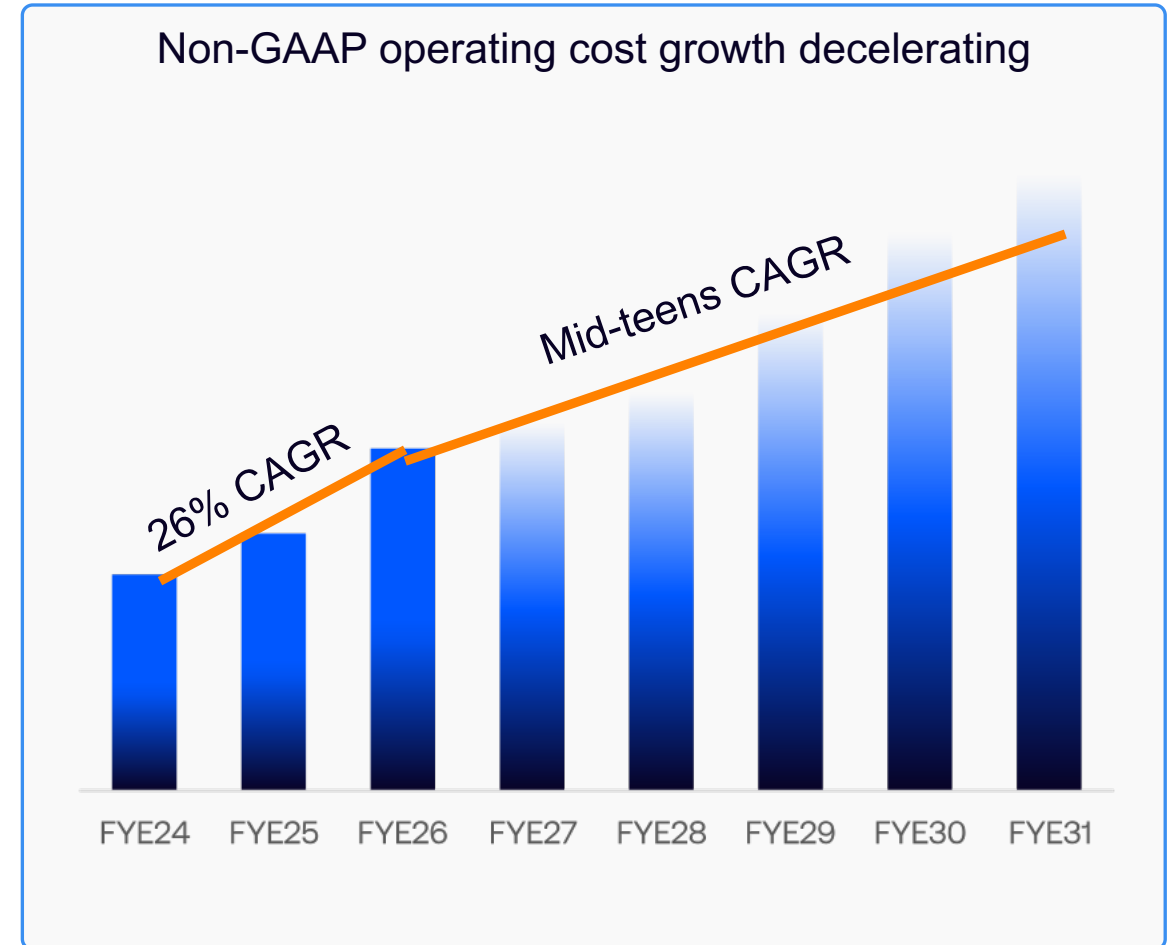
Arm AGI CPU is complementary to Arm's CPU IP / CSS business

- 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



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



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%

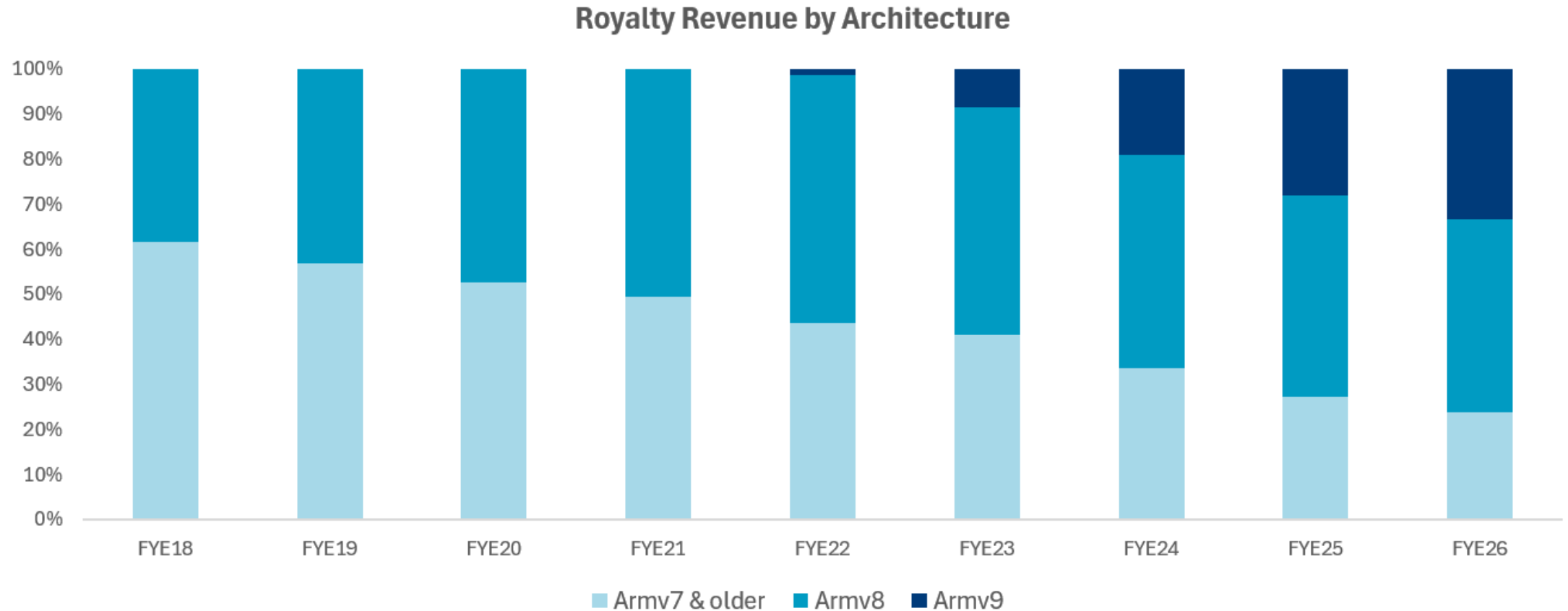
Consolidated business
in FYE31

Non-GAAP
earnings per share

>\$9

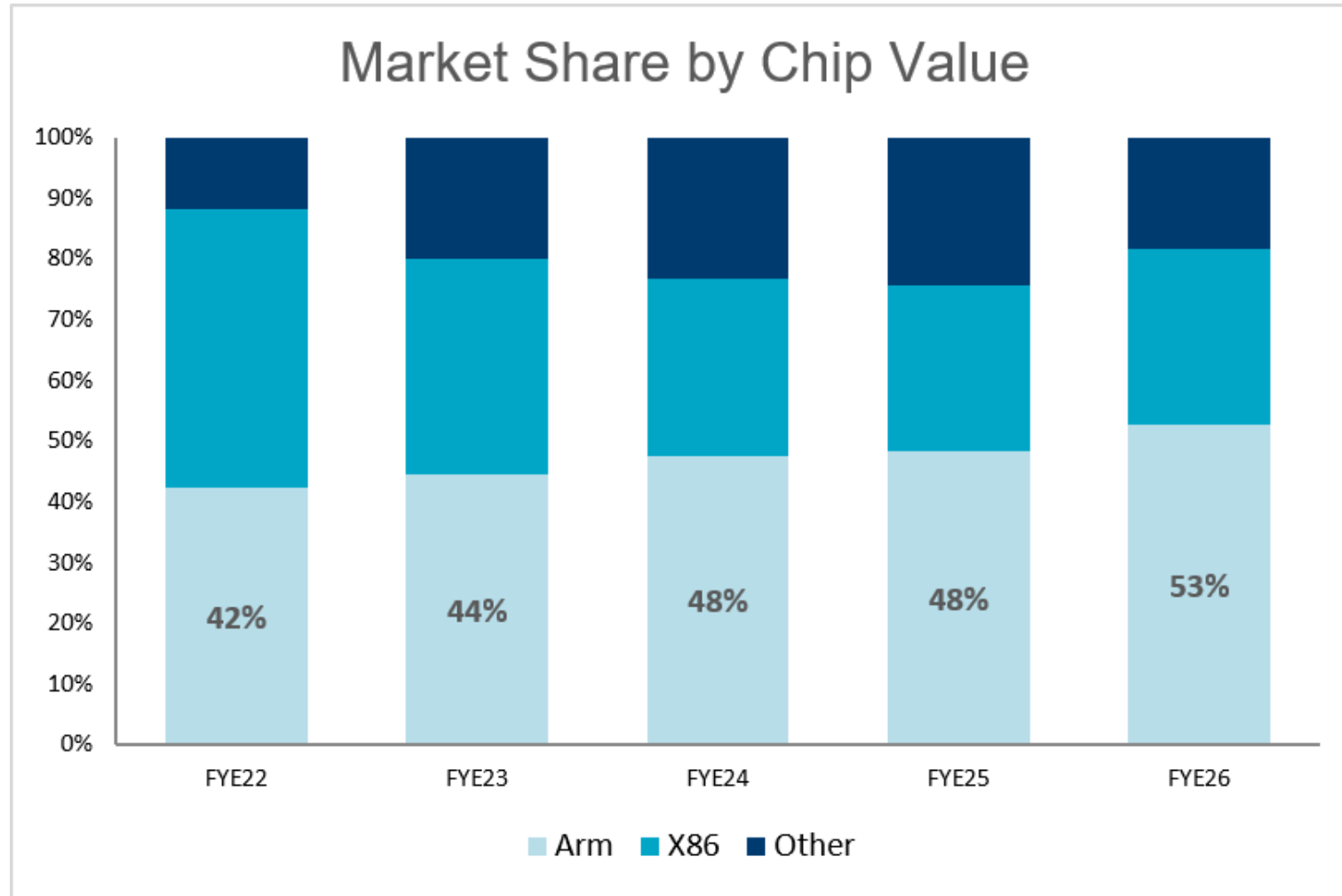
Appendix

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

Royalty Revenue: Arm is Gaining Share



Notes:

Based on Arm internal estimates.

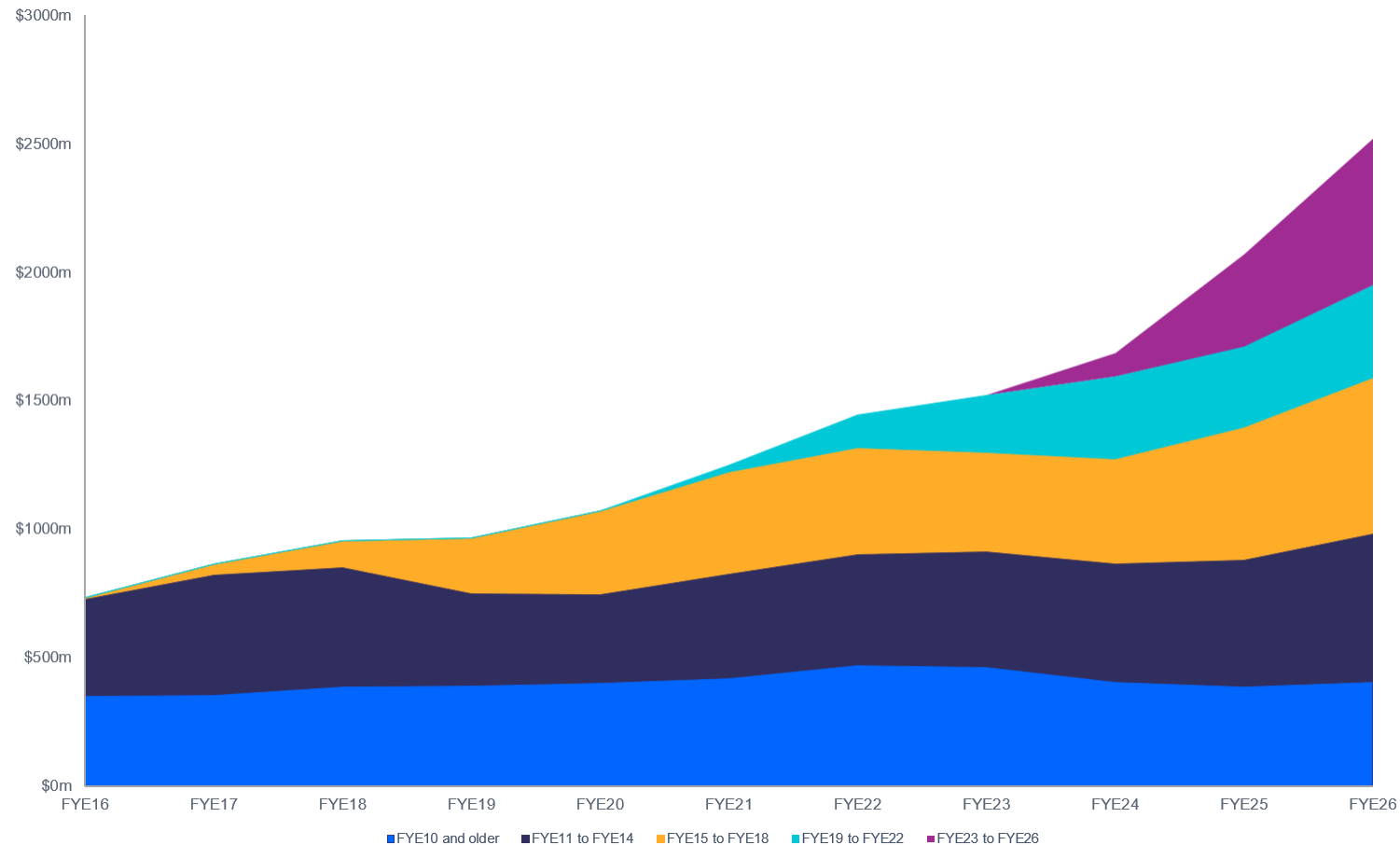
Other includes legacy and niche architectures such as:

- 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.)

Royalty Revenue Provides a Platform for Long-Term Growth

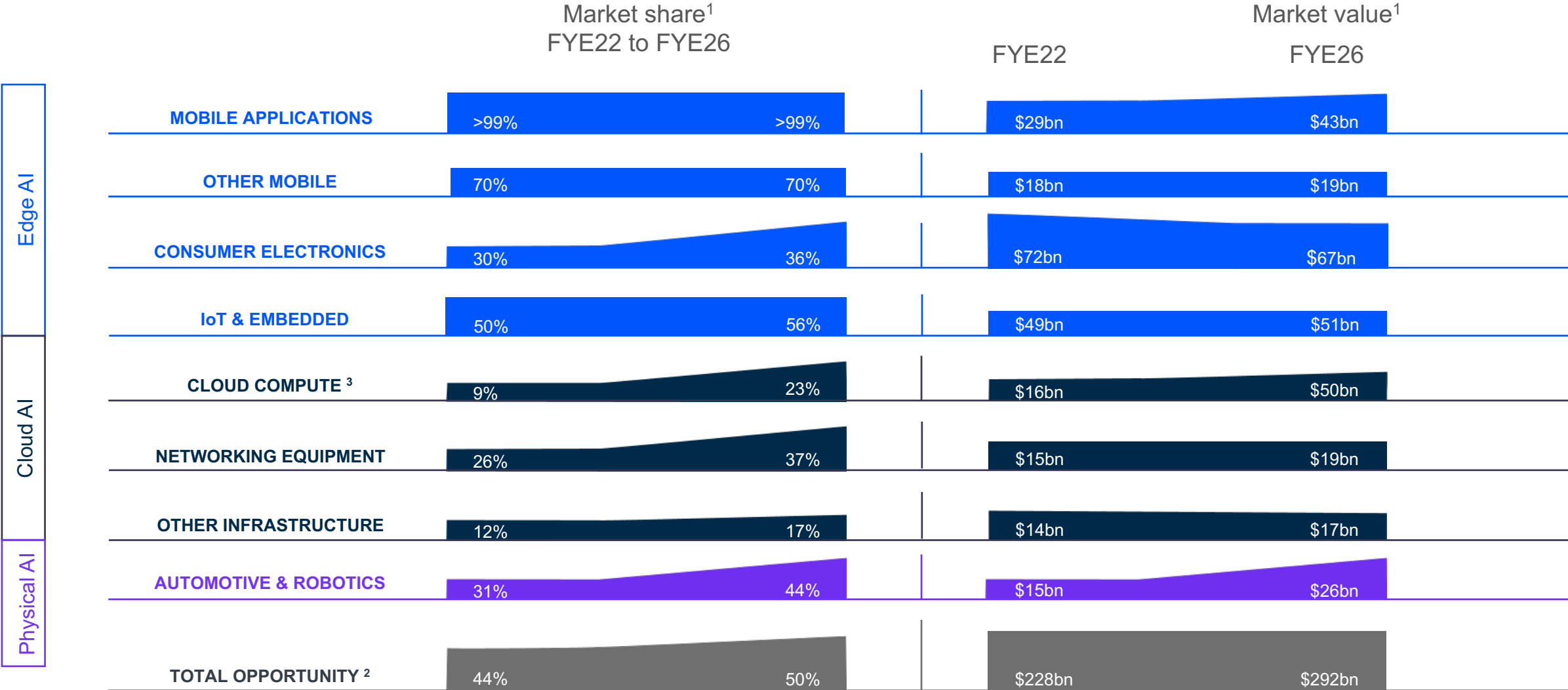
- Royalty revenue can continue for many years or decades

Royalty revenue from Arm products launched during Fiscal Year Ending



Still collecting royalties on products developed in the early 1990s

Gaining share in a massive CPU market



¹ Based on chip value

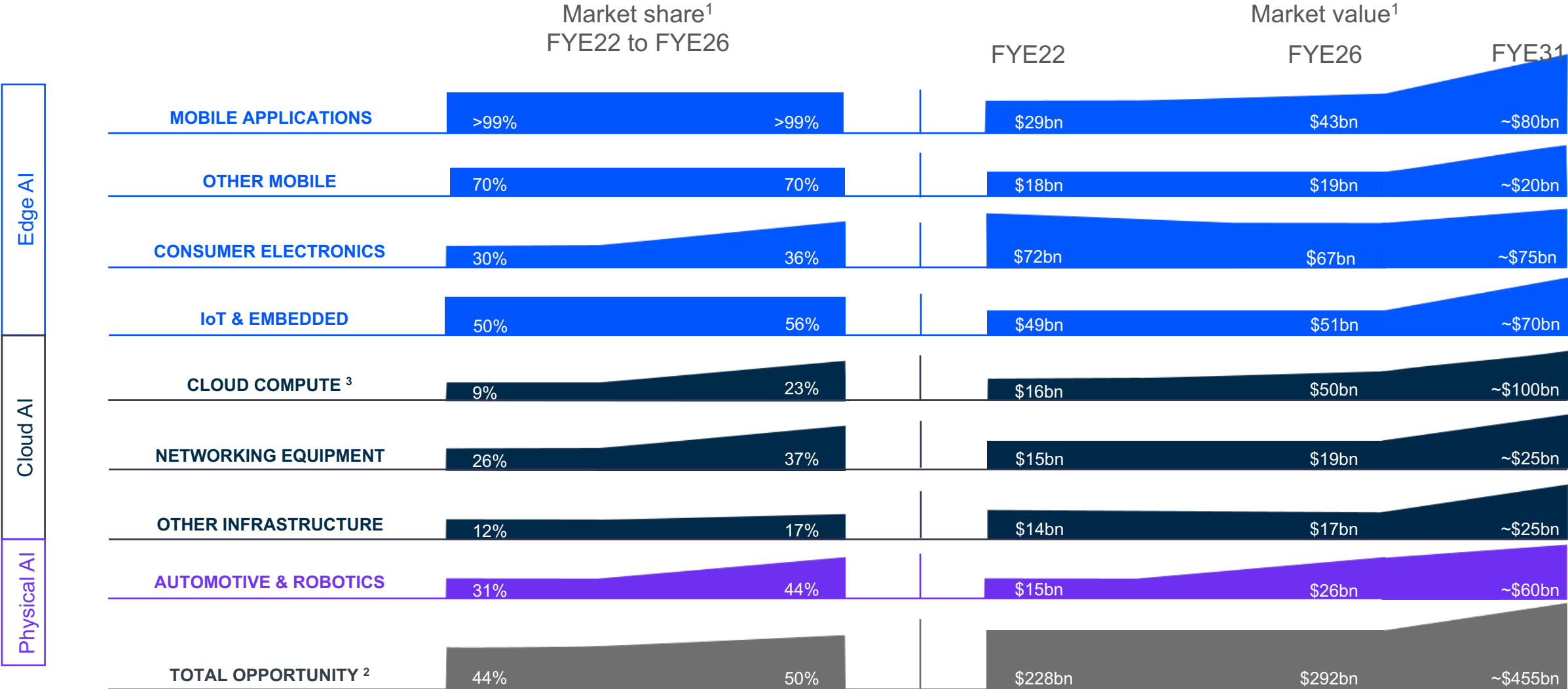
² Total Opportunity figures may not add due to rounding

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.

Gaining share in a massive CPU market



¹ Based on chip value

² Total Opportunity figures may not add due to rounding

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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.

Reconciliations: GAAP to Non-GAAP and Adjustments

(in millions, except per share amounts)	Three Months Ended June 30, 2026					
	GAAP Results	Share-based compensation cost (equity settled)	Employer taxes related to SBC, net of R&D tax incentives ⁽¹⁾	Other operating income (expenses), net	(Income) loss from equity investments, net	Non-GAAP Results
Total revenue	\$1,289	\$—	\$—	\$—	\$—	\$1,289
Cost of sales	(36)	9	2	—	—	(25)
Gross profit (loss)	1,253	9	2	—	—	1,264
Gross margin	97.2%					98.1%
Operating expenses:						
Research and development	(838)	247	61	—	—	(530)
Selling, general and administrative	(317)	87	27	—	—	(203)
Disposal, restructuring and other operating expenses, net	(7)	—	—	7	—	—
Total operating expenses	(1,162)	334	88	7	—	(733)
Operating income (loss)	91	343	90	7	—	531
Operating margin	7.1%					41.2%
Income (loss) from equity investments, net	128	—	—	—	(128)	—
Interest income, net	31	—	—	—	—	31
Other non-operating income (loss), net	3	—	—	—	—	3
Income (loss) before income taxes	253	343	90	7	(128)	565
Income tax benefit (expense)	17	—	—	—	—	(85)
Net income (loss)	\$270	\$343	\$90	\$7	\$(128)	\$480
Net income (loss) per share attributable to ordinary shareholders						
Basic	\$0.25					\$0.45
Diluted	\$0.25					\$0.45
Weighted average ordinary shares outstanding						
Basic	1,066					1,066
Diluted	1,078					1,078

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

Cash Flow Statement

	Three Months Ended June 30,	
	2026	2025
Cash flows provided by (used for) operating activities:		
Net income (loss)	\$ 270	\$ 130
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	75	60
Deferred income taxes	(66)	(14)
(Income) loss from equity investments, net	(128)	(4)
Share-based compensation cost	343	241
Operating lease expense	16	13
Other non-cash operating activities, net	3	(5)
Changes in assets and liabilities:		
Accounts receivable, net (including receivables from related parties)	181	(208)
Contract assets, net (including contract assets from related parties)	50	123
Prepaid expenses and other assets	(9)	38
Accrued compensation and benefits	3	(4)
Contract liabilities (including contract liabilities from related parties)	(107)	90
Tax liabilities	(3)	(34)
Operating lease liabilities	(11)	(9)
Other liabilities (including payables to related parties)	285	(85)
Net cash provided by (used for) operating activities	\$ 902	\$ 332
Cash flows provided by (used for) investing activities		
Purchases of short-term investments	(415)	(355)
Proceeds from maturity of short-term investments	435	145
Purchases of equity investments	(74)	(2)
Purchases of intangible assets	(11)	(7)
Proceeds from sale or liquidation of equity investments	1	—
Purchases of property and equipment	(197)	(154)
Other investing activities, net, including investments in convertible loans	(6)	1
Net cash provided by (used for) investing activities	\$ (267)	\$ (372)
Cash flows provided by (used for) financing activities		
Payments of intangible asset obligations	(29)	(21)
Other financing activities, net	(19)	(17)
Payments of withholding tax on vested shares	(278)	(85)
Net cash provided by (used for) financing activities	\$ (326)	\$ (123)
Effect of foreign exchange rate changes on cash and cash equivalents	(2)	34
Net increase (decrease) in cash and cash equivalents	307	(129)
Cash and cash equivalents at the beginning of the period	2,751	2,085
Cash and cash equivalents at the end of the period	\$ 3,058	\$ 1,956

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 June 30,	
	2026	2025
Net cash provided by (used for) operating activities	\$ 902	\$ 332
<i>Adjusted for:</i>		
Purchases of property and equipment	(197)	(154)
Purchases of intangible assets	(11)	(7)
Payment of intangible asset obligations	(29)	(21)
Non-GAAP free cash flow	<u>\$ 665</u>	<u>\$ 150</u>

(in millions)	Trailing Twelve Months Ended June 30,	
	2026	2025
Net cash provided by (used for) operating activities	\$ 2,094	\$ 1,019
<i>Adjusted for:</i>		
Purchases of property and equipment	(588)	(344)
Purchases of intangible assets	(34)	(18)
Payment of intangible asset obligations	(75)	(60)
Non-GAAP free cash flow TTM	<u>\$ 1,397</u>	<u>\$ 597</u>