arm

Arm Holdings plc
FYE24-Q2 Results Presentation

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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 section of Arm's registration statement on Form F-1, filed with the SEC on September 13, 2023, 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.

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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 gross profit, non-GAAP operating income from continuing operations, non-GAAP cost of sales, 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 and non-GAAP free cash flow. 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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Q2 FYE24 Results Summary

Q2 FYE24 – Highlights

$806m
Total revenue up 28% y/y

$388m
License and other revenue up 106% y/y

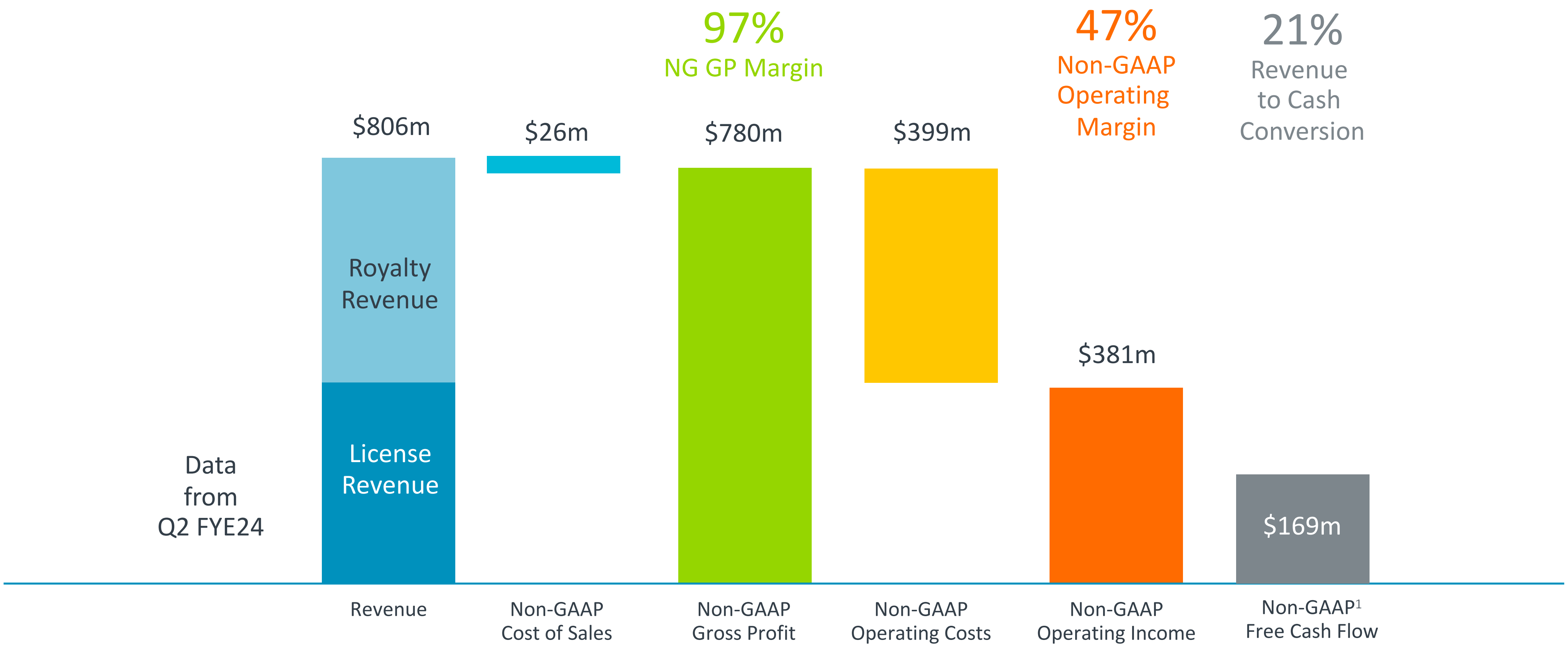
$418m
Royalty revenue down 5% y/y

$381m
Non-GAAP Operating Income up 92%
47.3% Non-GAAP operating margin

$860m
Trailing 12 Months FCF up 4x y/y

7.1bn
Chips reported as shipped
272.5bn Cumulative chip shipments

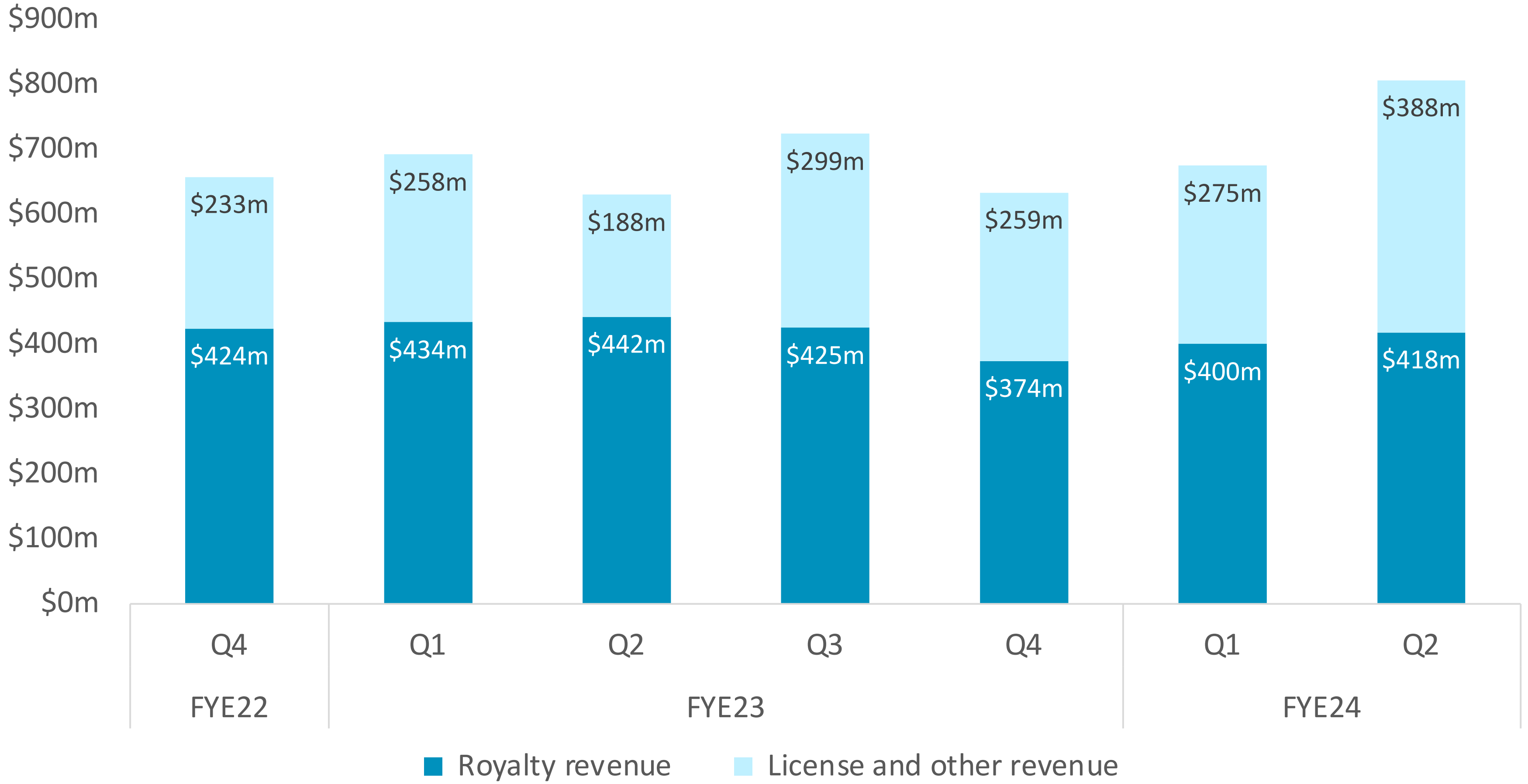
Q2 FYE24 – From Revenues to Profits to Cash



Note: Depreciation and amortisation for Q2 FYE24 totals $41m
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

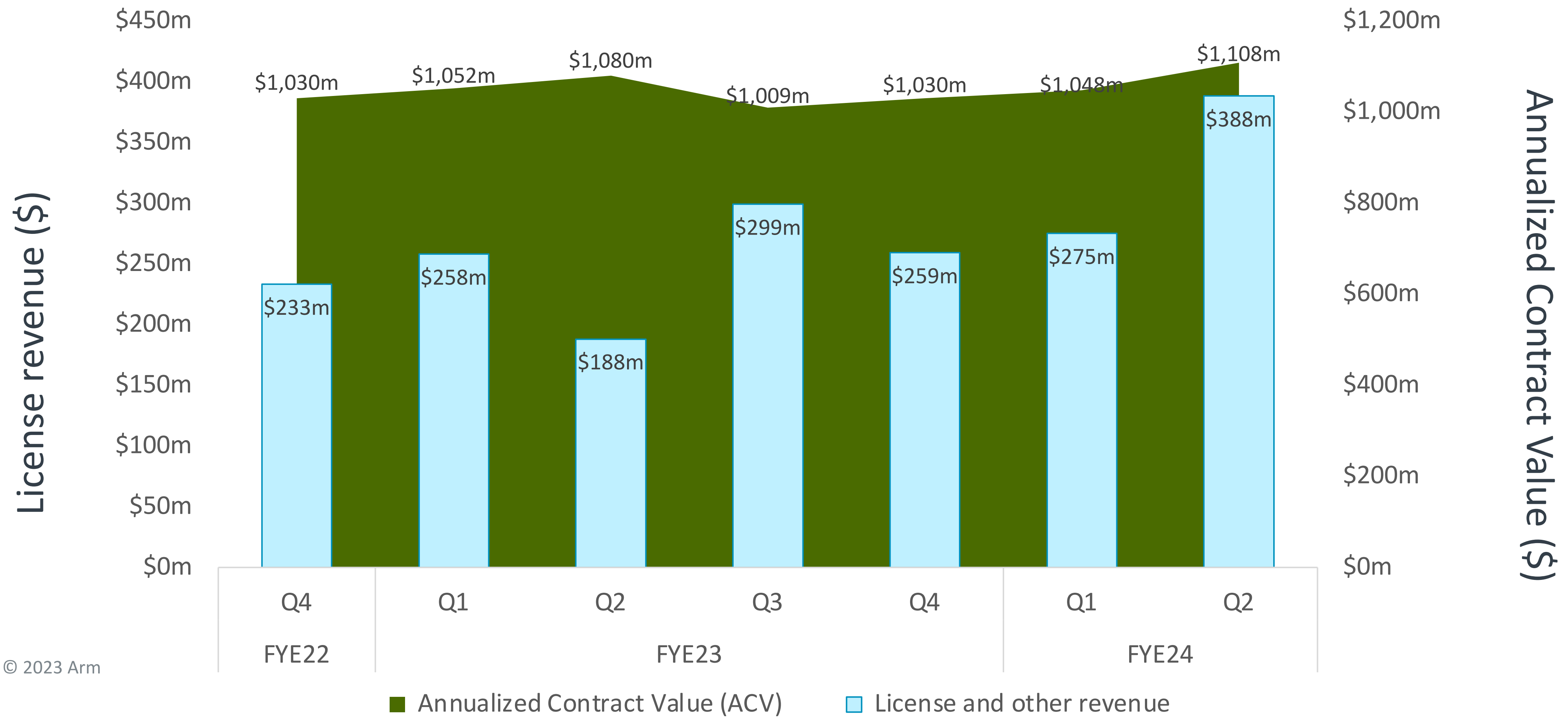
Q2 FYE24 – Revenue

- Total revenue: $806m up 28% year over year – First time over $800m
- License and other revenue: $388m up 106% yoy driven by two new ATA agreements and companies licensing high-performance CPUs etc. to embedded AI into every end device
- Royalty revenue: $418m down 5% yoy with slower smartphone sales offset by market share gains and higher royalty rates



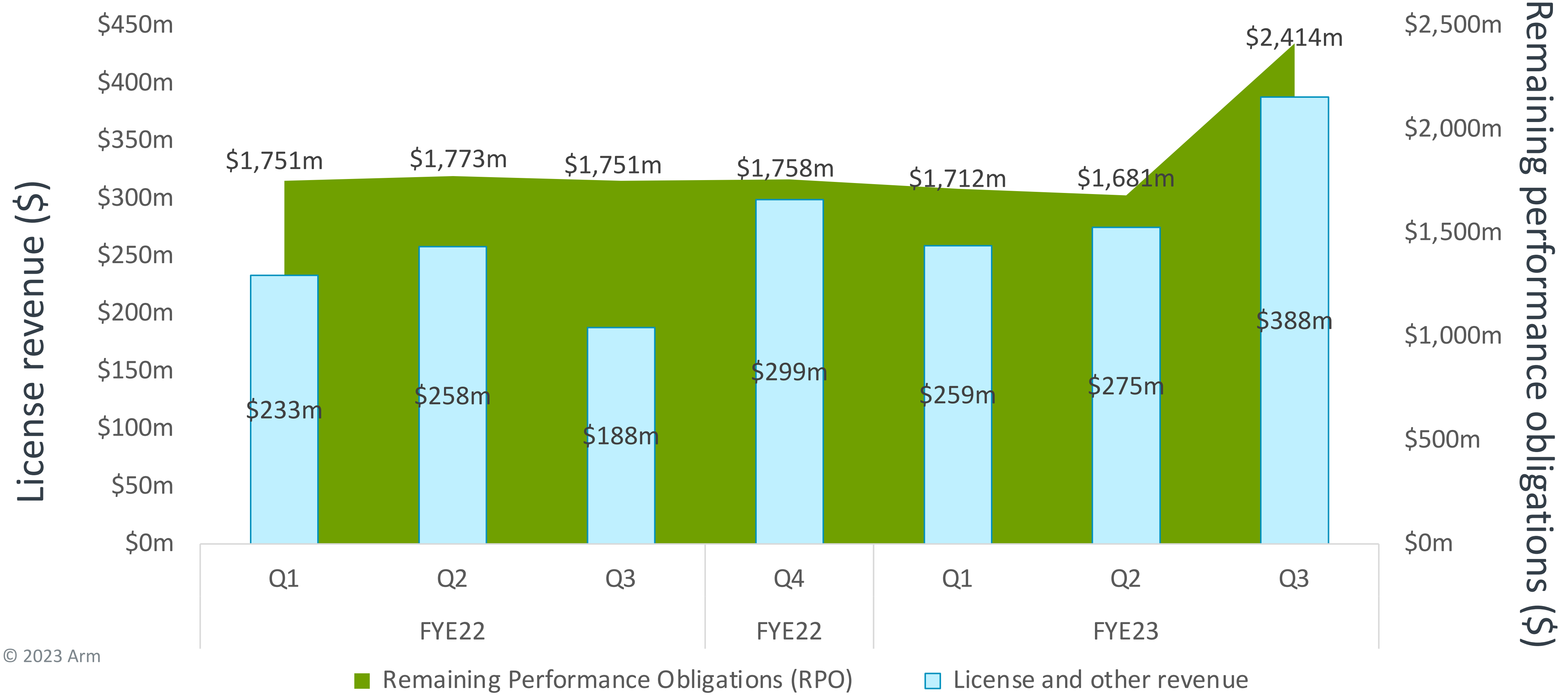
Q2 FYE24 – Annualized Contract Value

- Annualized contract value increased during Q2 by multiple high-value, long-term ATA deals being signed



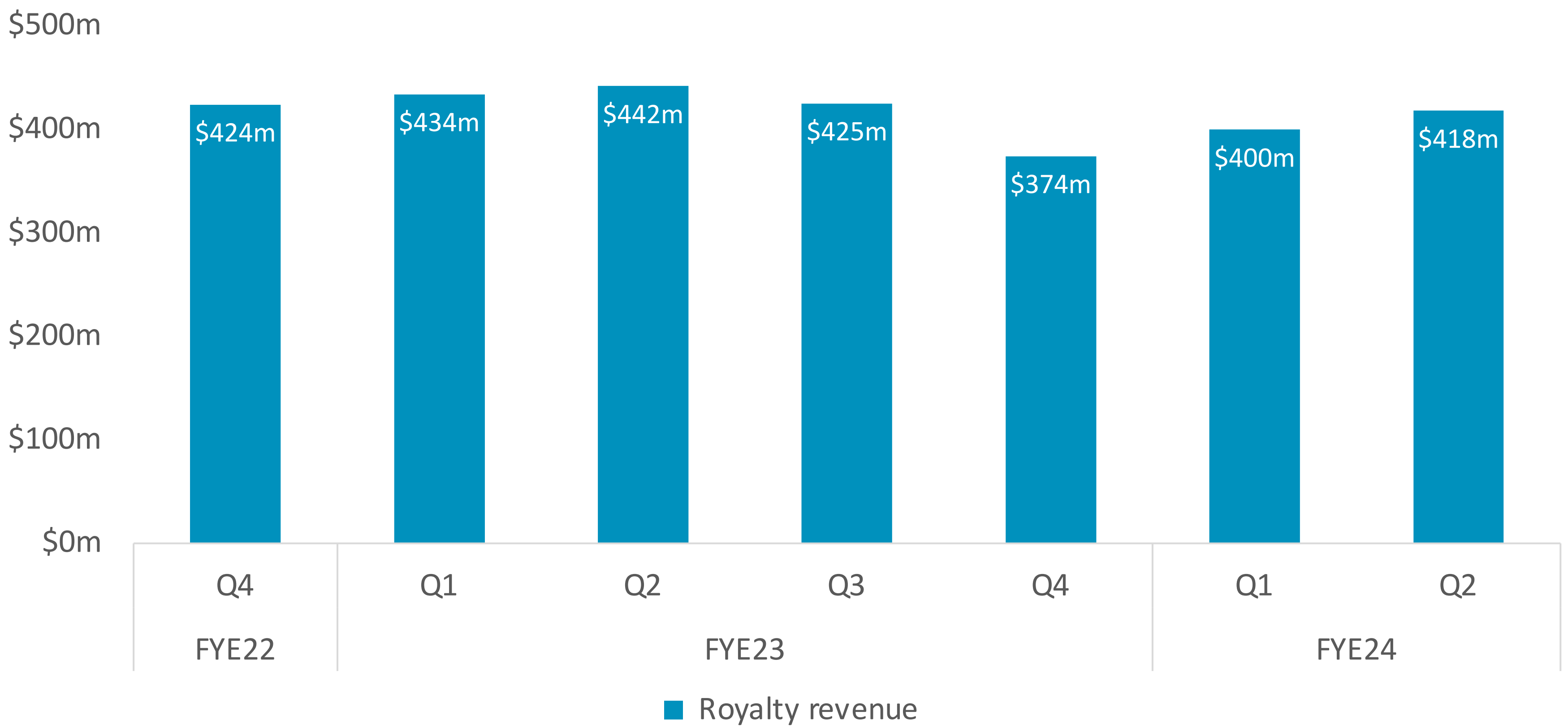
Q2 FYE24 – Remaining Performance Obligations (RPO)

- Remaining performance obligations represent revenue that will be recognized in future periods.
- RPO increased strongly in Q2 due to multiple high-value, long-term deals being signed.



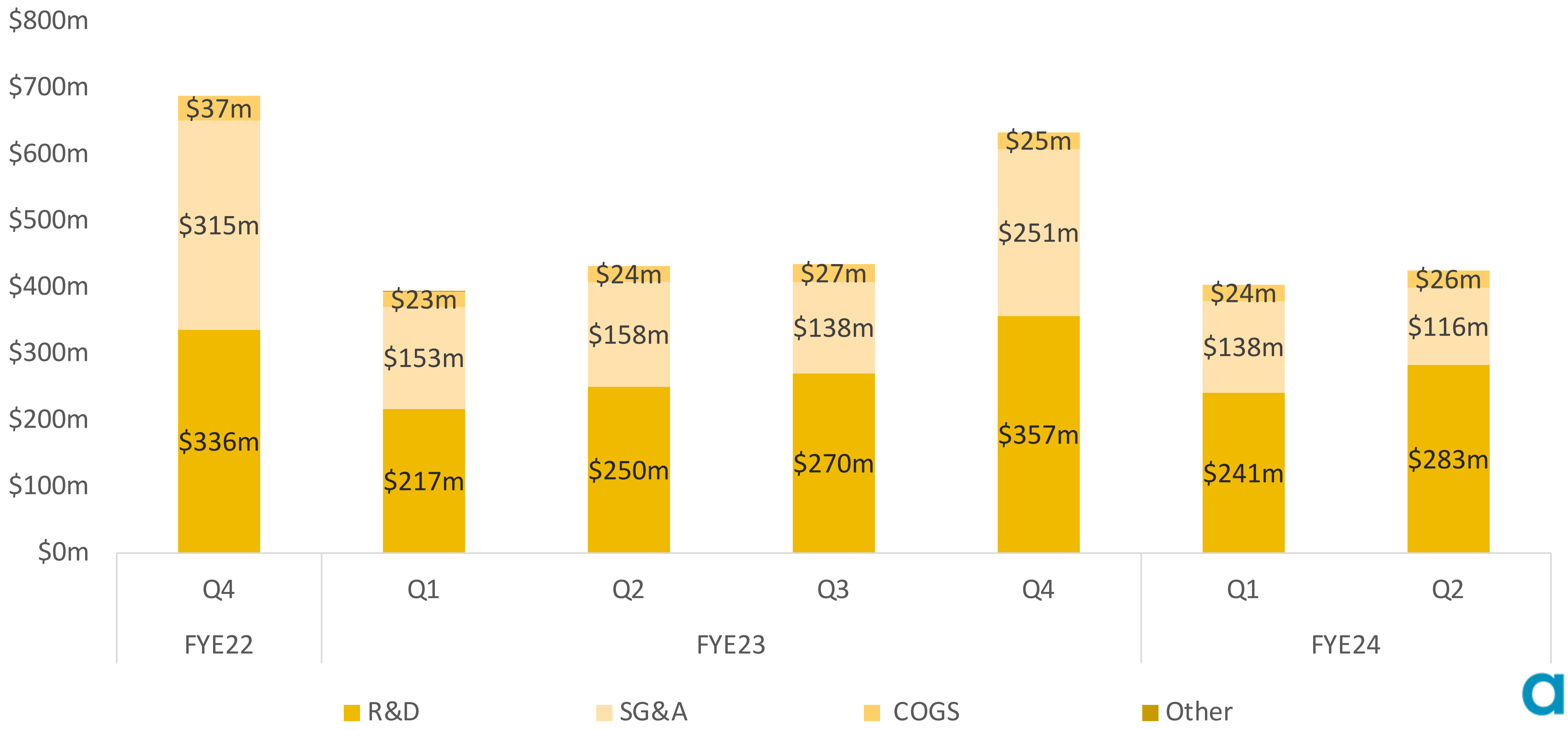
Q2 FYE24 – Royalty Revenue

- Semiconductor industry (WSTS) has been growing month on month since low point in February 2024; Arm has ~50% market share of chips with processors and so is impacted by the same overall industry trends
- Arm is also benefitting from market share gains in automotive and cloud, and Armv9 penetration in smartphones and data center



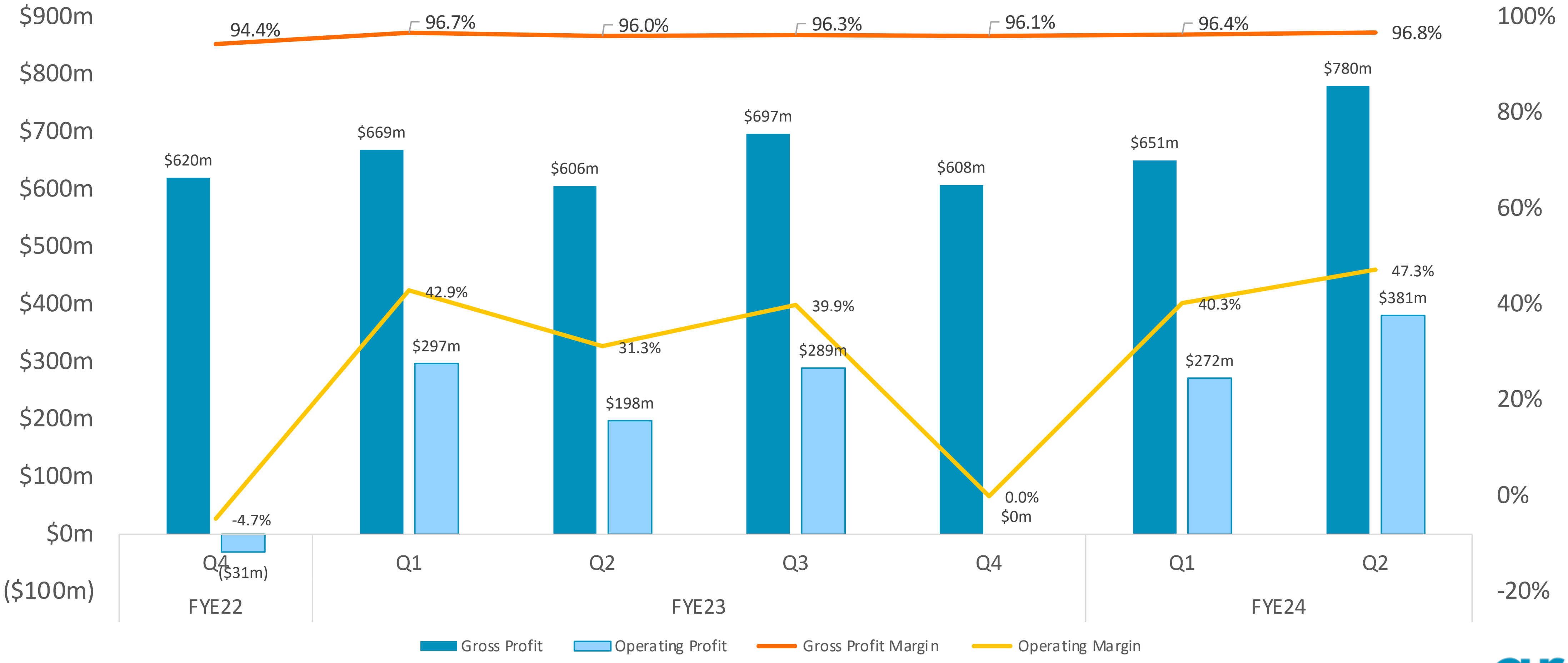
Q2 FYE24 – Non-GAAP Cost of Sales and Operating Expenses

- Q2 FYE24 benefitted from $40m credit due to litigation resolution and Q2 FYE23 had $47m one off cost relating to cash-settled stock-based compensation.
- Underlying growth in costs was 19% reflecting the increase in headcount of 17%

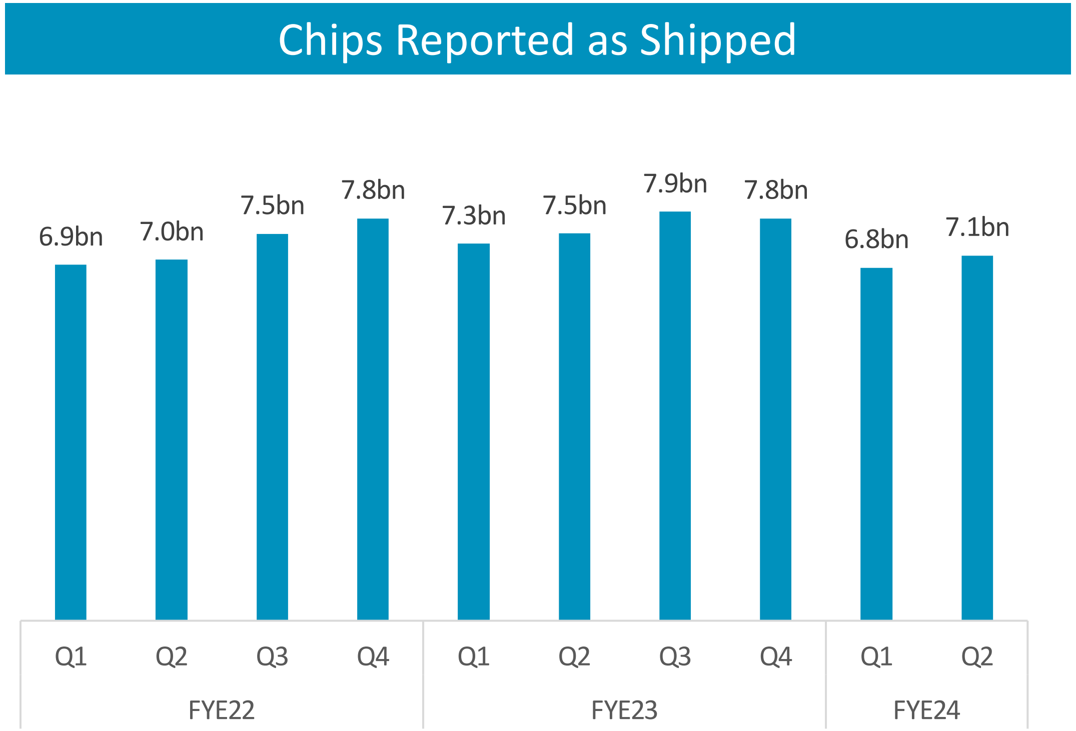


Q2 FYE24 – Non-GAAP gross and operating profit

- Gross profit margins remaining over 95%
- Q2 operating margin boosted by strong revenue growth, and costs offset by a one-off of $40m



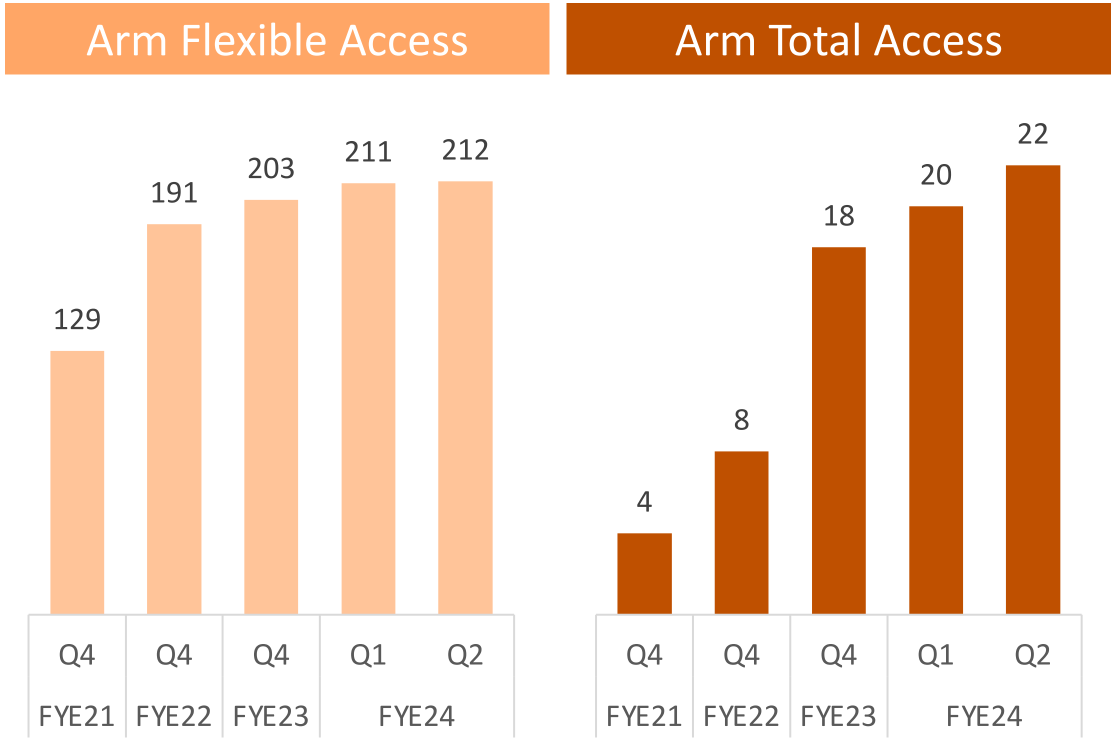
Q2 FYE24 – Chips reported as shipped



Chips shipped are reported one quarter in arrears
Q2 is down 6% year on year and up 3% sequentially, reflecting recovery seen by peers

- Chip shipments relate to April-June quarter
- Down 6% year on year mainly due to smartphone and IoT, offset by automotive, cloud servers and other consumer electronics (laptops, DTVs, etc.)
- Up 3% sequentially reflecting industry recovery also seen by peers

Q2 FYE24 – Non-Financial Metrics



Arm Total Access up 2 to 22

- Both new customers are long-term Arm partners
- Target markets for these two ATA licensees include consumer electronics, including smartphones, and other market such as automotive
- ATA licensees typically long-term Arm partners, 17 of the 22 are customers for +10 years, Median time as customer - 19 years

Arm Flexible Access net up 1 to 212

- +40 renewals, +18 new agreements signed with companies developing wide range of AI-related applications: AI accelerators, automotive, sensors, wearables, etc.

Guidance

- Arm has good visibility of its licensing pipeline although timing, deal size, etc. can change
- Analysts forecast that the semiconductor industry will continue to recover although trajectory is unclear

	Q3 FYE 24	FYE 24
Revenue ($m)	$720m - $800m	$2,960m - $3,080m
Non-GAAP Operating Expense ($m)	~$460m	~$1,765m
Non-GAAP fully diluted earnings per share ($)	$0.21-$0.28	$1.00 - $1.10

Our FYE24 non-GAAP operating expense guidance includes a one-time increase in social security taxes of approximately $45m in the fourth quarter, related to the vesting of certain equity awards following our IPO.

Q2 FYE24
Background on Arm

Arm is Building the Future of Computing

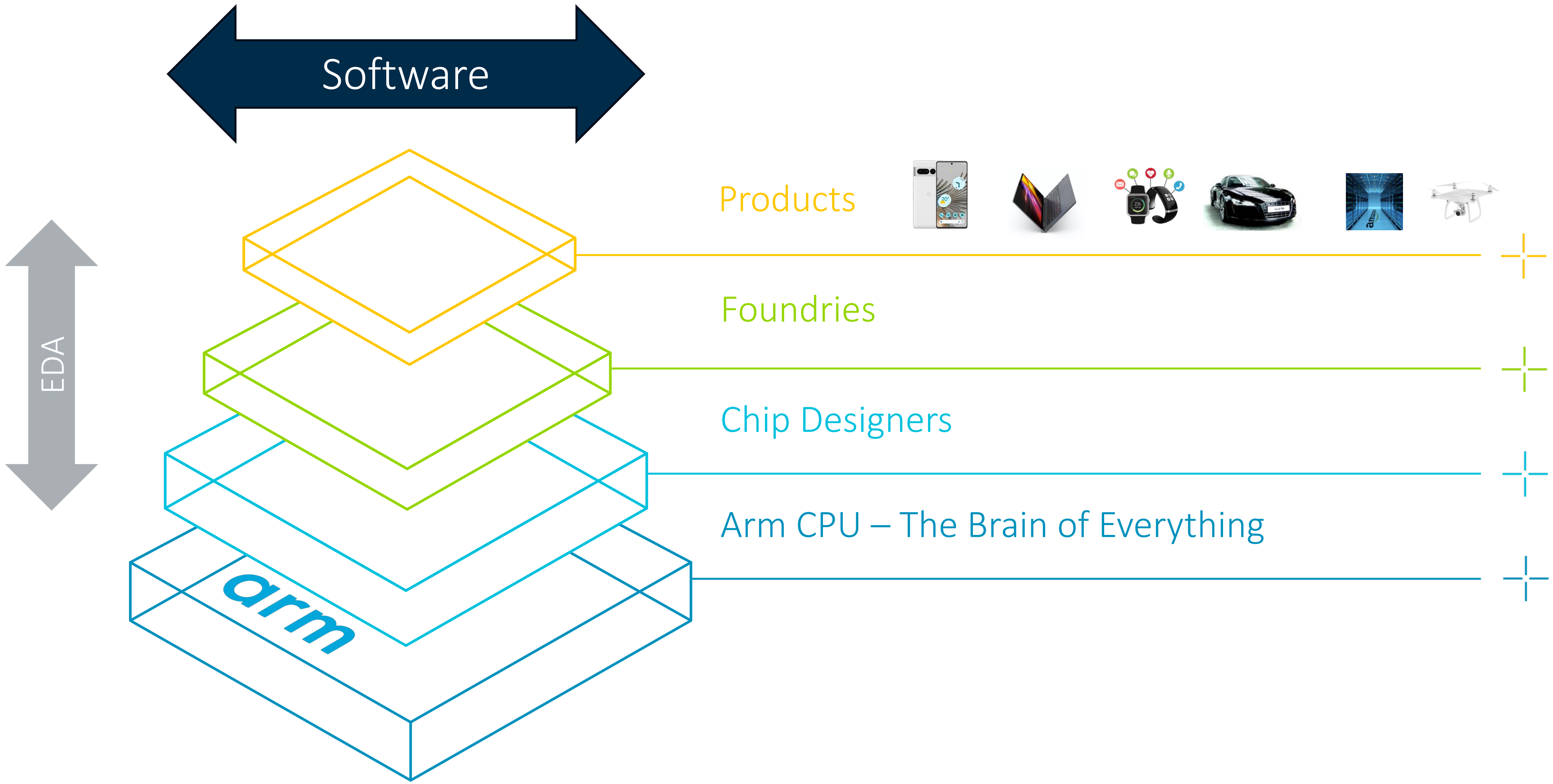
- Arm is the world's most pervasive CPU architecture
- Everything today is a computer – CPUs needed everywhere
- Strong growth, highly profitable and cash generative company

250+ Billion
Arm-based chips shipped since inception

30.6 Billion
Arm-based chips reported as shipped in FYE23

15M+
Software Developers on Arm

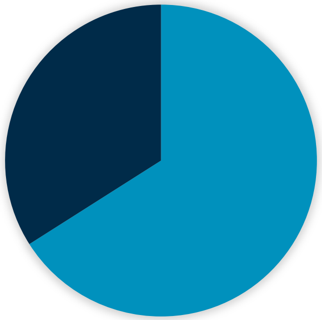
The Foundation of the Semiconductor Industry



What Have We Done Since 2016?

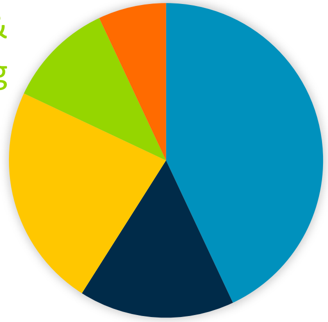
Then[1]

General Purpose CPU



Now[1]

MARKET
SPECIFIC
STRATEGY



AI Enabled

Total Compute (Mobile)	Neoverse (Cloud)	Automotive Enhanced	IoT Solutions

Arm Platform Approach

1 Reflects revenue as of FYE 2016 and FYE 2023 for Then and Now accordingly.

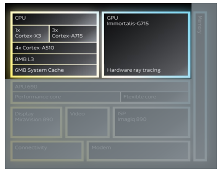
CPU and subsystems for every target end-market

Mobile – Total Compute Subsystem

- SUPPORT
- TOOLS
- SOFTWARE
- Cortex-X4 | Cortex-A720 | Cortex-A520 | DSU-120
- Immortalis-G720
- Mali-G720
- Mali-G620
- CoreLink CI-700/NI-700, MMU-700
- ARMv9 ARCHITECTURE
- ARM PHYSICAL IP

android

iOS



Infrastructure - Neoverse Compute Subsystem

- SUPPORT
- TOOLS
- SOFTWARE
- Neoverse-V2 32-192 CPUs | CMN-700
- NI-700, MMU-700, GIC-700
- ARMv9 ARCHITECTURE
- ARM PHYSICAL IP

TensorFlow | NVIDIA CUDA | PyTorch | Linux | Red Hat

Up to
40%
Price/Performance

Automotive Enhanced Subsystem

- SUPPORT
- TOOLS
- SOFTWARE
- Cortex-A78AE | Cortex-R52 | Cortex-M85 | Mali-G78AE | Mali-C78AE
- CoreLink AE System IP
- Safety Island / Certification
- ARM ARCHITECTURE
- ARM PHYSICAL IP

SOAFEE

IoT Solutions Subsystem

- SUPPORT
- Customer Application Code
- Ecosystem Middleware
- Libraries, reference stacks, tools
- Operating System/Firmware
- Cortex-A CPU | Cortex-M CPU
- Mali GPU | Ethos-U NPU

Consumer IoT


Smart Speakers


Smart Cameras


Drones


Autonomous vehicles

Industrial IoT


Industrial PC


Edge server


Industrial display


Network Hub


Smart display

✓ Increasing performance ✓ Power efficiency ✓ Software ecosystem

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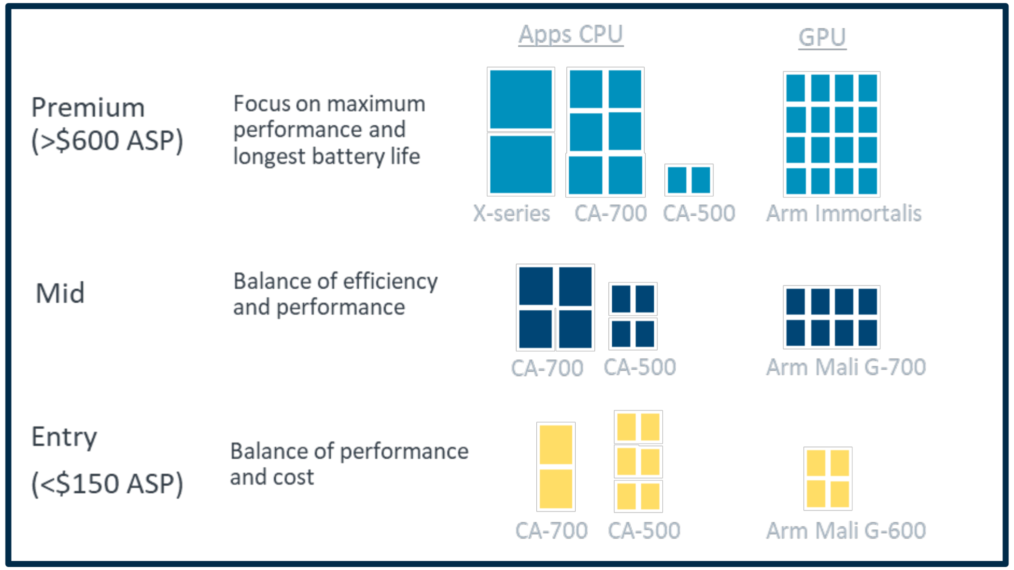
Mobile – Arm’s main growth driver

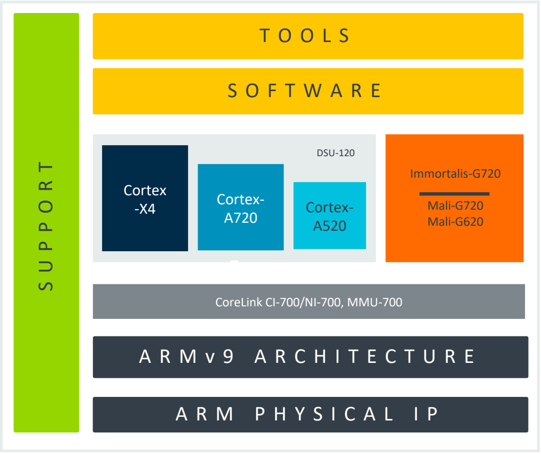
Mobile Application Processors

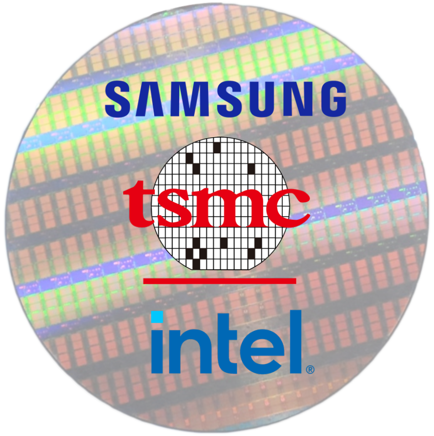
- Arm share >99%; Compute growing as % of SoC solution
- Arm value increasing with every smartphone generation



Increased content per device driving royalty revenue

- Cortex-X: Optimized cores for mobile computing
- Transition to Armv9: Higher performance, AI acceleration & new security model already adopted by OSes
- Total Compute Solution: Verified, validated compute subsystem for next-generation smartphone application processors





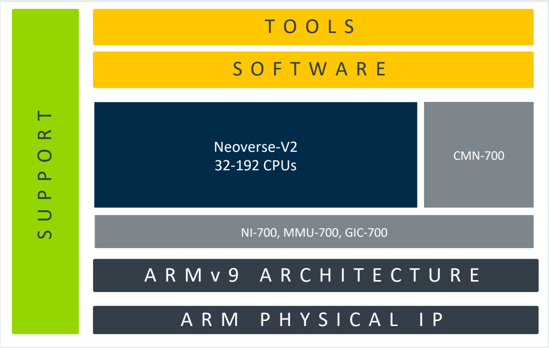
- Optimized for leading foundry nodes
- Optimized for leading software operating systems and middleware

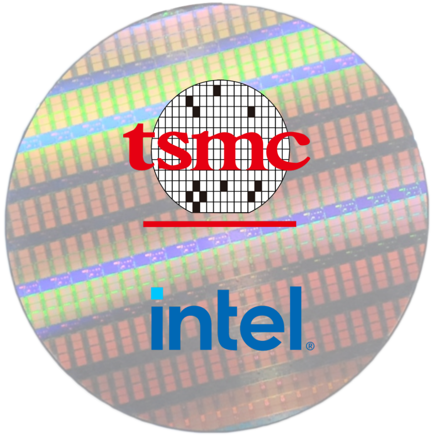
✓ Increasing performance ✓ Power efficiency ✓ Software ecosystem

Cloud Compute – Arm's fastest growing market

- Cloud Compute includes server CPU and DPU
  - Arm market share was 10% in FYE23 and growing rapidly
  - Arm server chips are "first citizens" for software developers

- Neoverse CSS is lowering the barrier to CSPs developing customer silicon
  - Fully Integrated and Verified, ready for physical design
  - Basis for Ecosystem optimization (Foundry, 3rd Party IP, SW)
  - Accelerates Time To Market
  - Reduces Execution Risk & Investment
  - Already adopted by multiple Hyperscalers





13
Months From Kick-off to Silicon

80
Person Years Saved

✓ Increasing performance ✓ Power efficiency ✓ Software ecosystem

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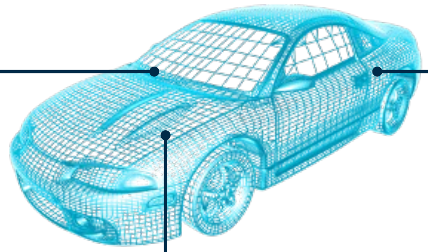
Automotive – Arm is the Future of Automotive

Automotive includes IVI, ADAS and PBC

- IVI (89% share): Richer in-vehicle experiences, more displays
- ADAS (42%): Rapidly growing AI and compute demands
- PBC (15%): more sensors, more sophisticated powertrain and controls

Automotive Enhanced (AE) IP is …

- Auto market growing across multiple sub-segments
- Strong market share increase expected in all sub-segments
- Average Royalty Per Chip growing in all areas
- Driven by higher value products, more products



IVI, Dashboard & Cockpit

Arm is enabling the next generation in-car experiences

- Largest software ecosystem
- Scalable solutions from basic to super luxury
- Complete solution: CPU, GPU, ISP ++
- Software portability and supplier choice

89%

Market share

ADAS

Arm is unleashing driver assistance and autonomy

- Largest software ecosystem
- Scalable solutions from L2 to autonomous
- Safety, security
- High performance, efficiency

42%

Market share

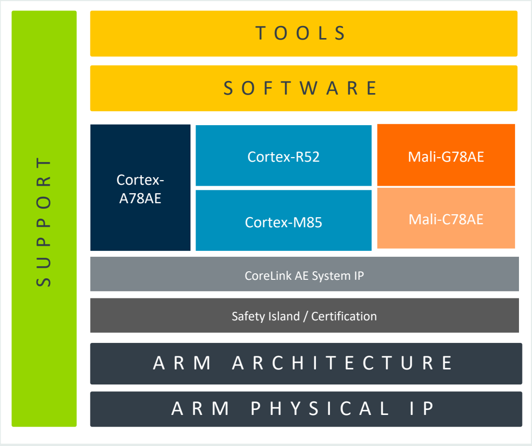
Powertrain, Body and Chassis

Arm is enabling electric vehicles and advanced control

- Largest software ecosystem
- Scalable solutions from sensor to domain ECU
- Safety, security, real-time
- Software reuse and supplier choice

15%

Market share



SOAFEE

QNX

Automotive OS

SUSE

AUTOMOTIVE GRADE LINUX

✓ Increasing performance ✓ Power efficiency ✓ Software ecosystem

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IoT/Embedded – Increased complexity requires more Arm IP

- IoT/Embedded is a hugely diverse market
  - Overall 65% market share (including 8/16 MCUs)
  - From embedded computers and smart cameras to sensors and motor controllers

- Embedded computers becoming more advanced
  - Doorbells now have video; lightbulbs with Bluetooth connectivity; AI and ML capability added to everything
  - Requires more advanced processors and developer tools for larger and more complex software stack

Home

- Gateway
- Home Security
- Home Appliances
- Home Automation

Industrial Automation

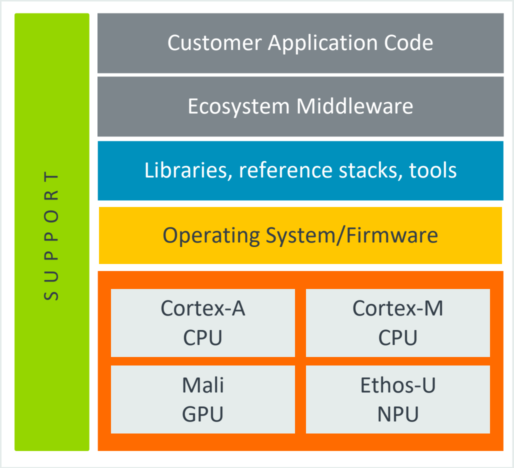
- Industrial PCs
- Motor control
- Machine vision control
- Human-Machine Interface

City

- Video surveillance
- Smart metering
- Point of Sale
- Building control
- Transportation

Embedded Computing

- Pervasive embedded computing
- Smartcards
- Medical
- Wearables



CMSIS

Defining how embedded software runs on Arm

psacertified™

TrustedFirmware-A
U-boot
OP TEE

PARSEC

Increasing performance   Power efficiency   Software ecosystem

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AI on Arm is Everywhere

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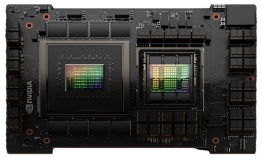
Mobile	Cloud Compute		Automotive	IoT & Embedded
Pixel Phone by Google	NVIDIA	AMPERE	cruise	Google Nest
		 	 	
AI for all applications	Generative AI	Optimized for AI	Autonomous Driving	Smart Home

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Mobile - Strong Tie Between CPU & Software

android

htc LG
NOKIA SONY

Texas Instruments Qualcomm
BROADCOM

arm

2009

android

HUAWEI SAMSUNG

HISILICON Qualcomm
SAMSUNG MEDIATEK

arm

2019

android

SAMSUNG
xiaomi

SAMSUNG Qualcomm
MEDIATEK

arm

2023

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Cloud and Automotive Follows the Same Trend

Arm is supported in all major Linux Cloud Distributions

ubuntu · Red Hat Enterprise Linux · SUSE · CentOS · debian
fedora · AlmaLinux · Rocky Linux™ · ORACLE Linux

^Covers 99% of production deployed distributions

Microsoft · Linux

ORACLE
Microsoft
aws
AMPERE

QNX · AUTOMOTIVE GRADE LINUX · android Automotive

Mercedes-Benz
TOYOTA
RENESAS
Qualcomm

Unparalleled Software Ecosystem

15M

Developers on Arm, for Arm

10M+

Developer hours

1st decade of Armv8

1.5Bn

Ecosystem hours

30M+

Developer hours

1st decade of Armv9

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

More Complexity Per Chip × More Chips × More Arm

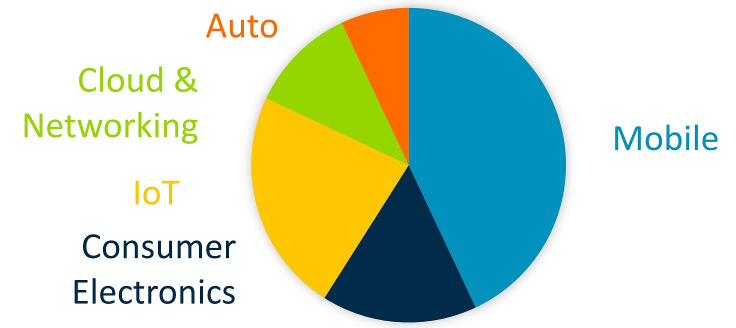
8 FYE 2016

192 FYE 2023

Number of cores per "high end" Arm-based chip

1.7x More

Increase in number of Arm-based chips shipped



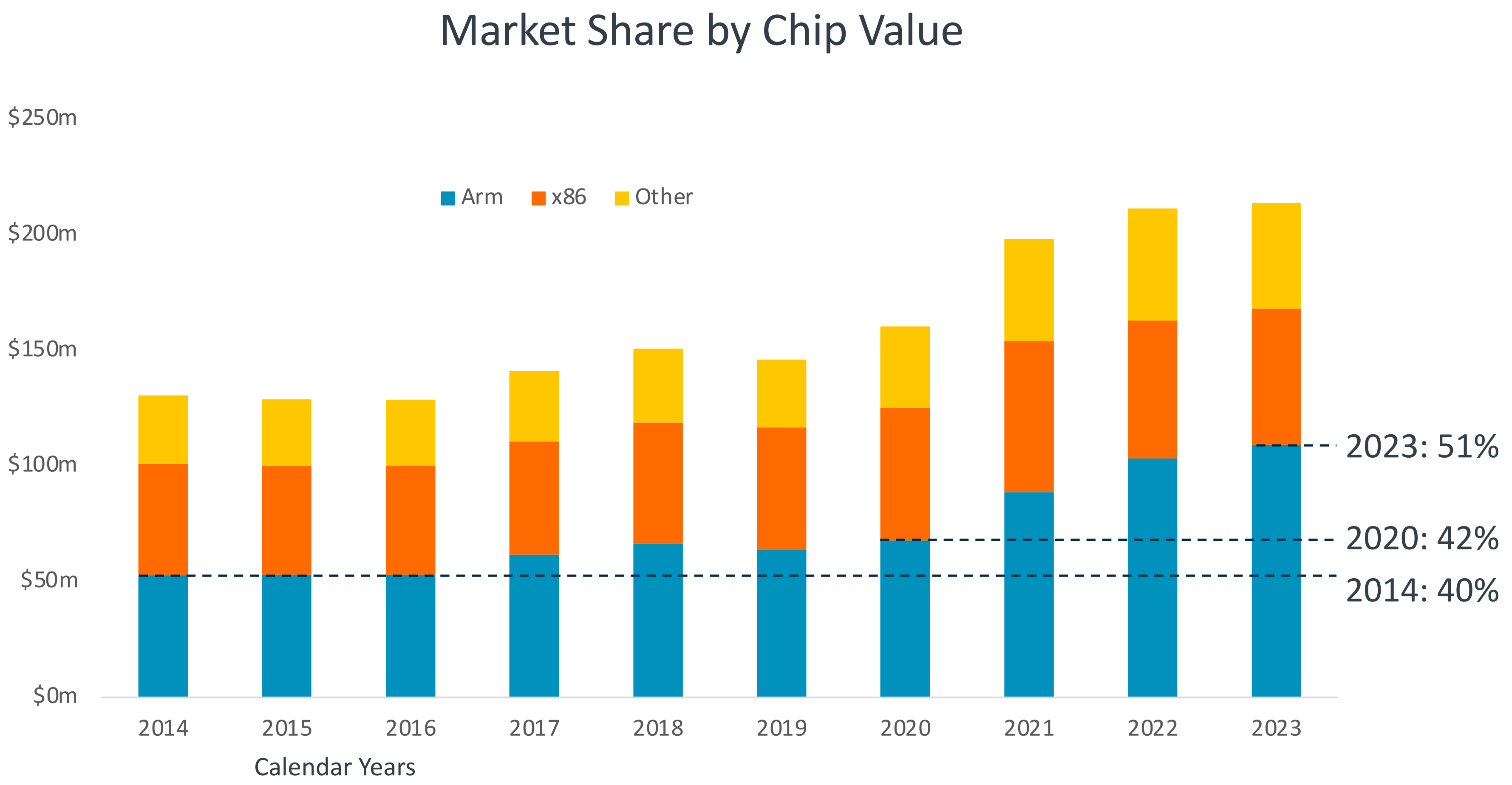
Royalty: Gaining Share in a Massive and Growing Market

		Market Value[1] (2020 to 2022)		Market Share[1] (2020 to 2022)	
Client	MOBILE APPLICATIONS	$22bn	$30bn	>99%	>99%
	OTHER MOBILE	$14bn	$18bn	69%	64%
	CONSUMER ELECTRONICS	$46bn	$47bn	25%	32%
Infrastructure	CLOUD COMPUTE	$14bn	$18bn	7%	10%
	NETWORKING EQUIPMENT	$16bn	$17bn	19%	26%
	OTHER INFRASTRUCTURE	$11bn	$13bn	9%	16%
Auto	AUTOMOTIVE	$11bn	$19bn	33%	41%
IoT	IoT & EMBEDDED	$31bn	$42bn	58%	65%
	TOTAL OPPORTUNITY	$168bn	$203bn	42%	49%

[1] *Based on chip value*

Calendar Years

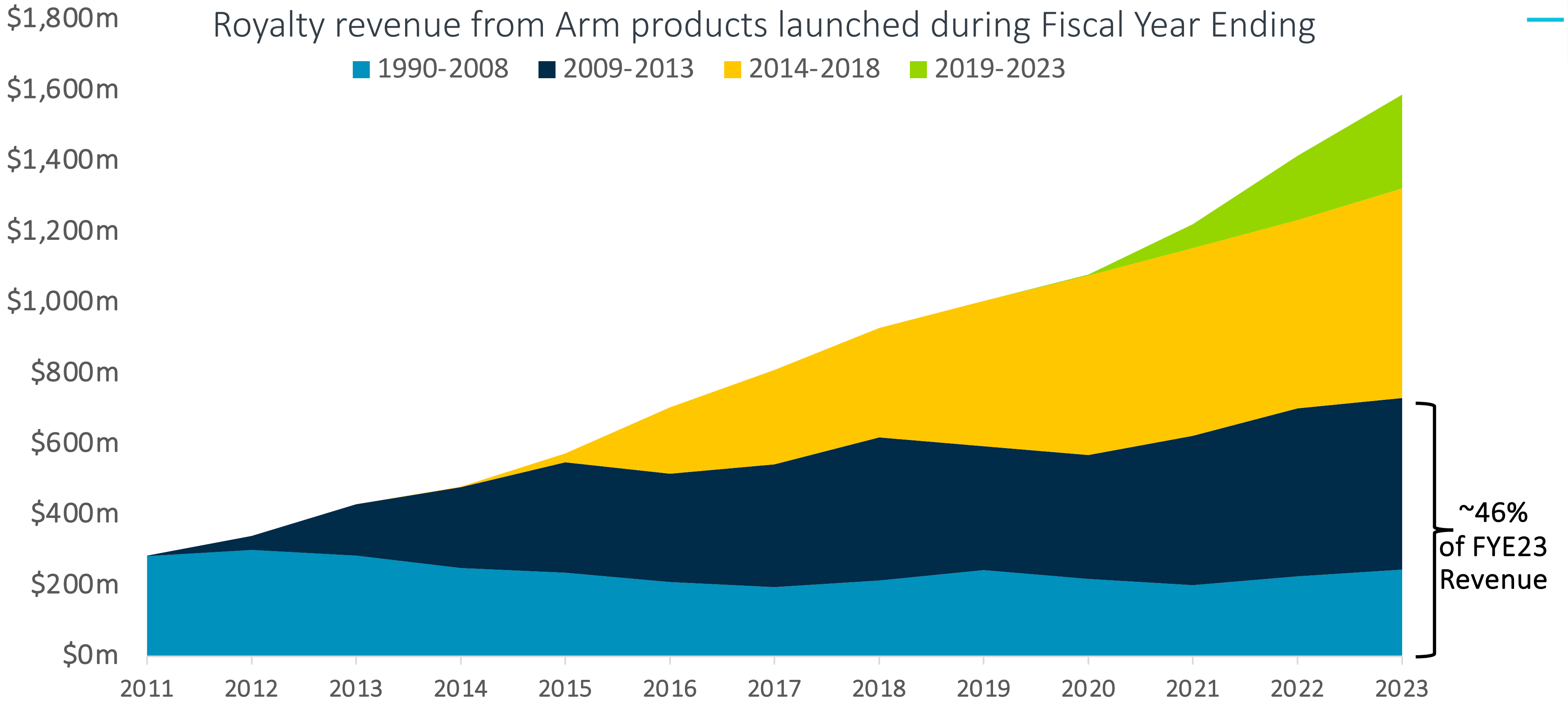
Royalty Revenue: Arm is Gaining Share



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

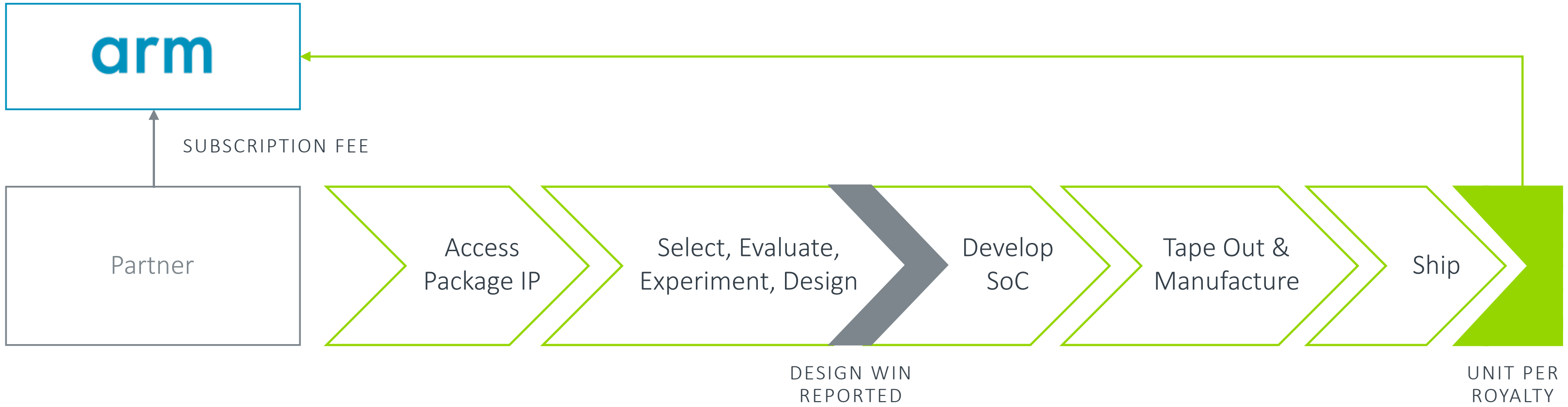
Long term visibility, near term predictability

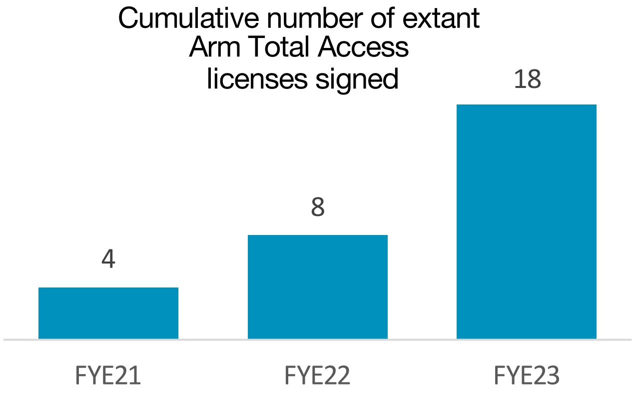
Based on data derived from royalty reports provided by Arm's customers.

Royalty-led Subscription Business Model

Arm Total Access

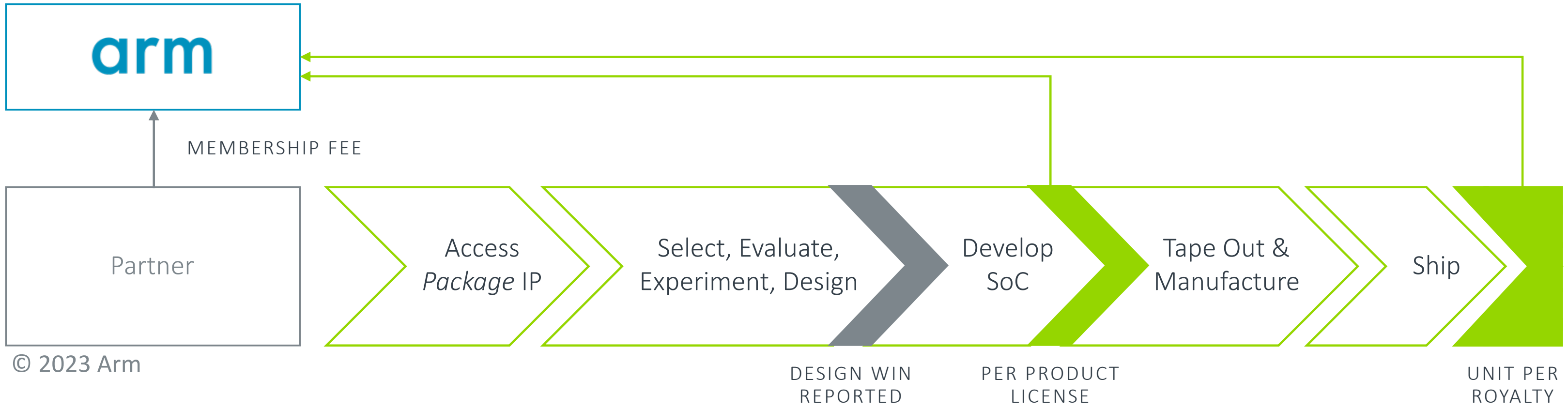
Long term subscription-based access to an extensive portfolio of more than 300 CPUs, GPUs and other IP including Arm's latest products

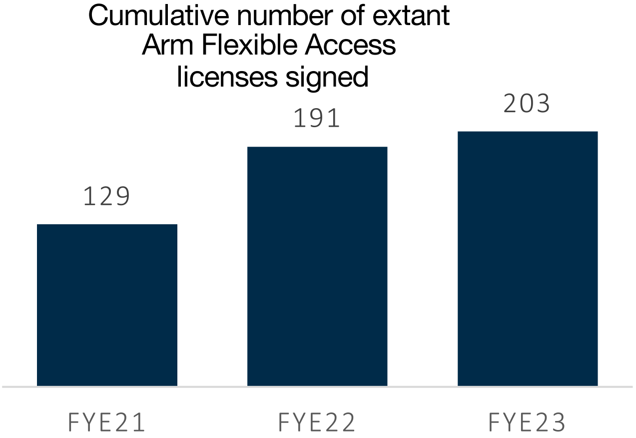




Arm Flexible Access

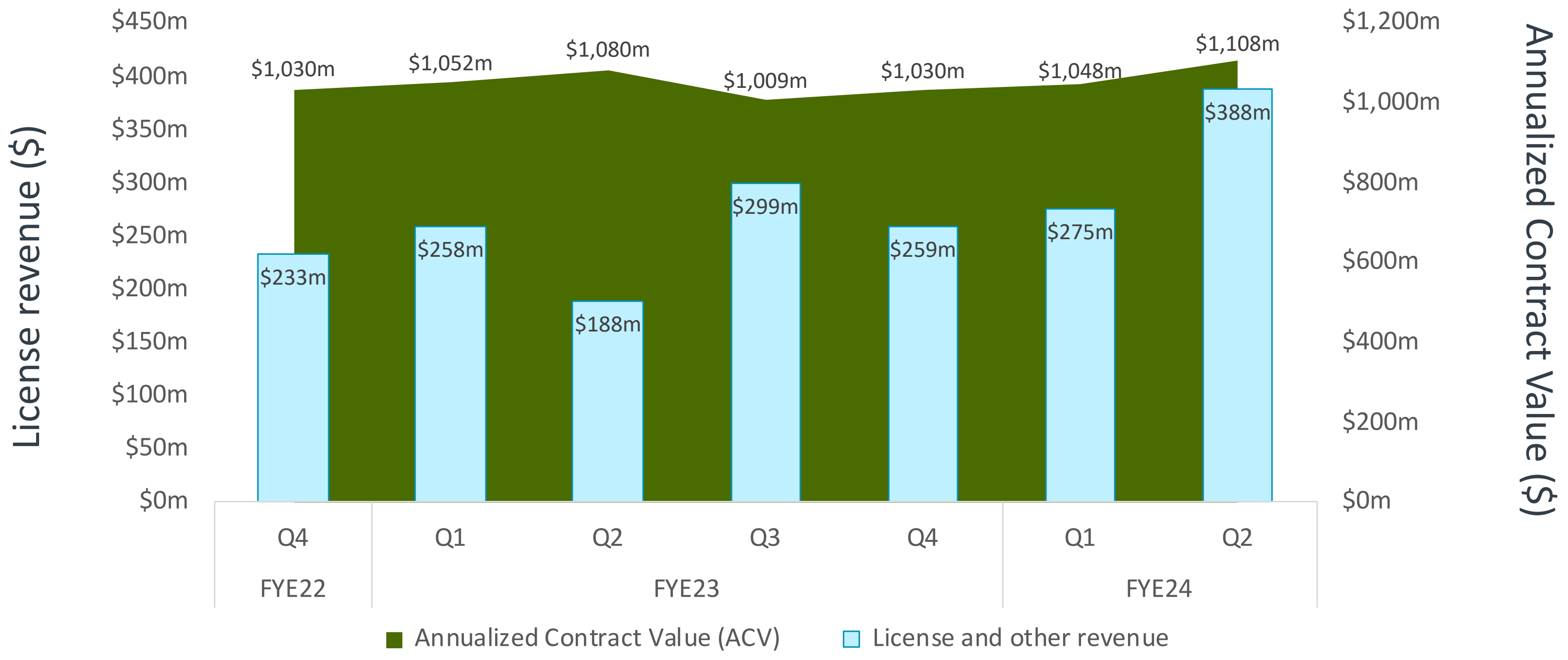
Low / no-cost subscription-based access to ~100 of Arm's most popular CPUs, GPUs and other IP
Customers are free to experiment with products contained in the package





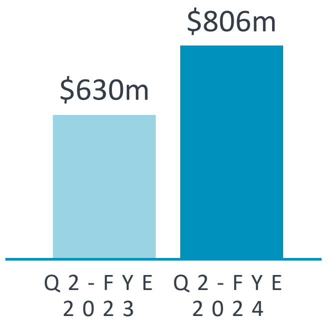
License Revenue Growing Over Time

- 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



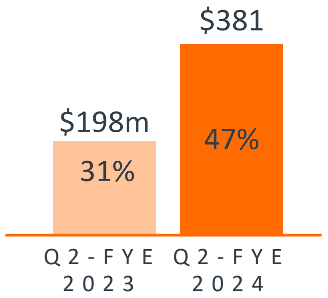
Arm's Financial Opportunity

Strong revenue growth opportunity



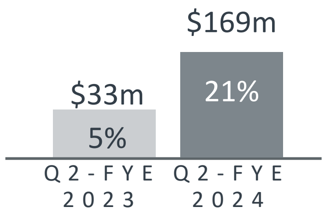
Revenues:
28% growth

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



Non-GAAP operating income and margin

Robust cash generation



Non-GAAP FCF and cash conversion from revenue

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

(in millions, except per share amounts)	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 FY 31-Mar FYE21	Actual FY 31-Mar FYE22	Actual FY 31-Mar FYE23
GAAP to Non-GAAP Reconciliation (Unaudited) (4)										
Reconciliation of GAAP gross profit to Non-GAAP gross profit:										
Gross profit	$ 620	$ 667	$ 605	$ 695	$ 606	$ 644	$ 760	$ 1,882	$ 2,572	$ 2,573
Adjusted for:										
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	10	9	5
Share-based compensation expense (equity settled) (1)	(1)	-	-	1	1	6	19	2	1	2
Non-GAAP gross profit	**$ 620**	**$ 669**	**$ 606**	**$ 697**	**$ 608**	**$ 651**	**$ 780**	**$ 1,894**	**$ 2,582**	**$ 2,580**
Reconciliation of GAAP operating income to Non-GAAP operating income:										
Operating income	$ (84)	$ 294	$ 183	$ 244	$ (50)	$ 111	$ (156)	$ 239	$ 633	$ 671
Adjusted for:										
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	11	9	5
Cost of sales	1	2	1	1	1	1	1	10	9	5
Selling, general and administrative	-	-	-	-	-	-	-	1	-	-
Share-based compensation expense (equity settled) (1)(2)(3)	3	(7)	(1)	30	38	146	509	41	30	60
Cost of sales	(1)	-	-	1	1	6	19	2	1	2
Research and development	5	1	(2)	16	23	96	343	22	19	38
Selling, general and administrative	(1)	(8)	1	13	14	44	147	17	10	20
Public company readiness costs	6	8	13	12	9	14	27	1	11	42
Selling, general and administrative	6	8	13	12	9	14	27	1	11	42
Other operating income (expenses), net	-	-	-	-	-	-	-	5	1	-
Research and development	-	-	-	-	-	-	-	1	-	-
Selling, general and administrative	-	-	-	-	-	-	-	4	1	-
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	**$ (31)**	**$ 297**	**$ 198**	**$ 289**	**$ (1)**	**$ 272**	**$ 381**	**$ 304**	**$ 731**	**$ 783**

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

(in millions, except per share amounts)	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 FY 31-Mar FYE21	Actual FY 31-Mar FYE22	Actual FY 31-Mar FYE23
GAAP to Non-GAAP Reconciliation (Unaudited) (4)										
Reconciliation of GAAP net income from continuing operations to Non-GAAP net income from continuing operations:										
Net income from continuing operations	(29)	225	114	182	3	105	(110)	544	676	524
Adjusted for operating items:										
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	11	9	5
Share-based compensation expense (equity settled) (1)(2)(3)	3	(7)	(1)	30	38	146	509	41	30	60
Restructuring and related costs	26	1	-	-	-	-	-	-	26	1
Public company readiness costs	6	8	13	12	9	14	27	1	11	42
Other operating income (expenses), net	-	-	-	-	-	-	-	5	1	-
Costs associated with disposal activities	1	(1)	2	2	1	-	-	4	-	4
Impairment of long-lived assets	16	-	-	-	-	-	-	3	21	-
Adjusted for non-operating items:										
(Income) loss from equity method investments, net	(41)	14	60	6	(35)	7	5	(476)	(141)	45
Gain on disposal of business	-	-	-	-	(4)	-	-	-	-	(4)
Pre-tax total non-GAAP adjustments	12	17	75	51	10	168	542	(411)	(43)	153
Income tax effect on non-GAAP adjustments	7	(6)	(11)	(8)	5	(27)	(52)	74	30	(20)
Non-GAAP net income from continuing operations	**$ (10)**	**$ 236**	**$ 178**	**$ 225**	**$ 18**	**$ 246**	**$ 380**	**$ 207**	**$ 663**	**$ 657**
Earnings per share continuing operations attributable to ordinary shareholders										
Basic	(0.01)	0.23	0.17	0.22	0.02	0.24	0.37	0.20	0.65	0.64
Diluted	**(0.01)**	**0.23**	**0.17**	**0.22**	**0.02**	**0.24**	**0.36**	**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	1,025.2	1,025.2	1,025.2
Diluted	1,025.2	1,025.9	1,027.0	1,027.0	1,027.9	1,028.6	1,043.0	1,025.2	1,025.2	1,027.5
Reconciliation of GAAP cost of sales to Non-GAAP cost of sales:										
Cost of sales	$ (37)	$ (25)	$ (25)	$ (29)	$ (27)	$ (31)	$ (46)	$ (145)	$ (131)	$ (106)
Adjusted for:										
Acquisition-related intangible asset amortization	1	2	1	1	1	1	1	10	9	5
Share-based compensation expense (equity settled) (1)	(1)	-	-	1	1	6	19	2	1	2
Non-GAAP cost of sales	**$ (37)**	**$ (23)**	**$ (24)**	**$ (27)**	**$ (25)**	**$ (24)**	**$ (26)**	**$ (133)**	**$ (121)**	**$ (99)**

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

(in millions, except per share amounts)	*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* FY 31-Mar FYE21	*Actual* FY 31-Mar FYE22	*Actual* FY 31-Mar FYE23
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 operating expenses	$ (341)	$ (218)	$ (248)	$ (286)	$ (381)	$ (337)	$ (626)	$ (814)	$ (995)	$ (1,133)
Adjusted for:										
Share-based compensation expense (equity settled) (1)(2)(3)	5	1	(2)	16	23	96	343	22	19	38
Other operating income (expenses), net	-	-	-	-	-	-	-	1	-	-
Non-GAAP research and development operating expenses	**$ (336)**	**$ (217)**	**$ (250)**	**$ (270)**	**$ (358)**	**$ (241)**	**$ (283)**	**$ (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 operating expenses	$ (321)	$ (153)	$ (172)	$ (163)	$ (274)	$ (196)	$ (290)	$ (826)	$ (897)	$ (762)
Adjusted for:										
Acquisition-related intangible asset amortization	-	-	-	-	-	-	-	1	-	-
Share-based compensation expense (equity settled) (1)(2)(3)	(1)	(8)	1	13	14	44	147	17	10	20
Public company readiness costs	6	8	13	12	9	14	27	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	**$ (315)**	**$ (153)**	**$ (158)**	**$ (138)**	**$ (251)**	**$ (138)**	**$ (116)**	**$ (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 operating expenses	$ (16)	$ -	$ -	$ -	$ -	$ -	$ -	$ (3)	$ (21)	$ -
Adjusted for:										
Impairment of long-lived assets	16	-	-	-	-	-	-	3	21	-
Non-GAAP impairment of long-lived assets operating expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Reconciliations: GAAP to Non-GAAP and Adjustments… cont’d

(in millions, except per share amounts)	*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* FY 31-Mar FYE21	*Actual* FY 31-Mar FYE22	*Actual* FY 31-Mar FYE23
GAAP to Non-GAAP Reconciliation (Unaudited) (4)										
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)	$ -	$ -	$ -	$ (26)	$ (7)
Adjusted for:										
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)**

(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:

	Q4 FYE22	Q1 FYE23	Q2 FYE23	Q3 FYE23	Q4 FYE23	Q1 FYE24	Q2 FYE24	FY FYE21	FY FYE22	FY FYE23
Cost of sales	0	1	2	4	5	6	20	2	1	12
Research and development	4	6	32	65	109	103	349	23	7	212
Selling, general and administrative	(5)	6	12	34	50	49	149	29	18	102
Total	(1)	13	46	103	164	158	518	54	26	326

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

	Q4 FYE22	Q1 FYE23	Q2 FYE23	Q3 FYE23	Q4 FYE23	Q1 FYE24	Q2 FYE24	FY FYE21	FY FYE22	FY FYE23
Cost of sales	1	1	2	3	4	0	1	0	0	10
Research and development	(1)	5	34	49	88	7	6	1	(12)	176
Selling, general and administrative	(4)	14	11	21	34	5	2	12	8	80
Total	(4)	20	47	73	126	12	9	13	(4)	266

(4) Should be read in conjunction with the shareholder letter for the second quarter of the financial year ending 2024, which is 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. See Arm’s shareholder letters, which are available on the Investor Relations section of the Arm website, for further discussion of Arm’s non-GAAP financial measures, as well as for reconciliations of certain non-GAAP financial measures to the most comparable GAAP measures.

