



Arm Holdings plc Q2 FYE26 Investor Presentation

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Non-GAAP Financial Measures

In addition to disclosing results determined in accordance with generally accepted accounting principles, or GAAP, Arm utilizes, and this presentation includes, certain non-GAAP financial measures that differ from measures calculated in accordance with GAAP. Arm's non-GAAP financial measures include non-GAAP cost of sales, non-GAAP gross profit (loss), non-GAAP gross margin, non-GAAP research and development operating expenses, non-GAAP selling, general and administrative operating expenses, non-GAAP total operating 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 effective tax rate benefit (expense), 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, gain on disposal of business, (income) loss from equity method investments, net and income tax effect on non-GAAP adjustments. Non-GAAP free cash flow and non-GAAP free cash flow TTM exclude purchases of property and equipment, purchases of intangible assets and payment of intangible asset obligations. Arm excludes these items from its non-GAAP financial measures because they are non-cash or non-recurring in nature, or because the amount and timing of these items is unpredictable and not driven by core results of operations, which renders comparisons with prior periods and competitors less meaningful.

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

Arm is unable to provide a reconciliation of certain non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis because doing so would not be possible without unreasonable effort due to, among other things, the potential variability and limited visibility of the excluded items. For the same reasons, Arm is unable to address the probable significance of the unavailable information.

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Q2 FYE26: Highlights

Operating Highlights

\$1,135m

Total revenue up 34% YoY

\$648m

Non-GAAP Operating Expenses

\$1,073m

Trailing 12 Months Non-GAAP FCF



Innovation Highlights

+325bn 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 gaining share in the data center

Arm forecasts that its market share with top hyperscalers will approach 50% in 2025¹. Meta joins AWS, Google, Microsoft, etc. in deploying Arm-based server chips into their data centers.

Compute Subsystem gains traction

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

Royalty Growth from Rising Complexity, Volume Expansion

More Complexity
Per Chip

- More advanced workloads need Arm's latest Armv9 architecture
- High-end cloud compute chips had 8 cores in 2016¹ and 192 cores in 2025
- Smaller geometries and longer fab cycle times mean that customers need more help
- Armv9, more cores and compute subsystems (CSS) are lifting royalty rates

More Chips

- Semiconductor industry revenue is forecasted to grow at a CAGR of 8%²
- Arm is gaining share in long-term growth markets: autos, cloud, IoT
- Arm's customers shipped 2x the number of chips in FYE25 than in FYE16

More Arm

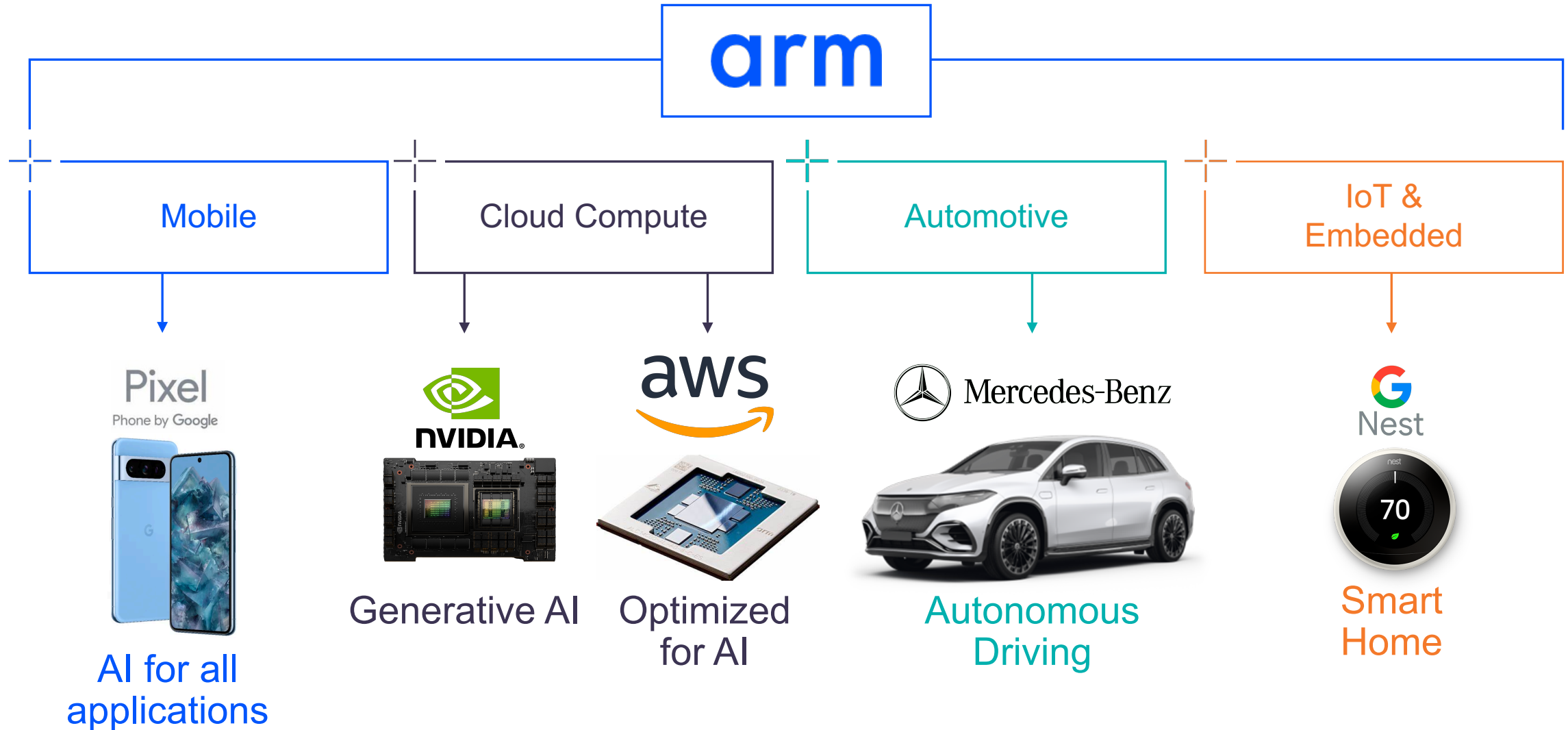
- The concept of AI everywhere is increasing demand for Arm's highly performant and energy-efficient compute platform
- More of our partners are finding custom silicon development a more attractive value proposition
- The Arm subscription business model smooths the path for Arm technology to reach more chip designs across more of our largest customers

Notes:

1. Reference to FYE16 relates to period prior to Arm acquisition by SoftBank.

2. Arm internal forecast based on third-party analyst data.

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



Unparalleled Software Ecosystem

22M+

Developers on Arm,
for Arm

+ —————
1.5Bn

Ecosystem hours

+ —————

10M+

Developer hours
1st decade of Armv8

+ —————
30M+

Developer hours
1st decade of Armv9

+ —————

android 

 Green Hills
SOFTWARE

 Microsoft

 Red Hat

vmware®

 iOS

Linux 

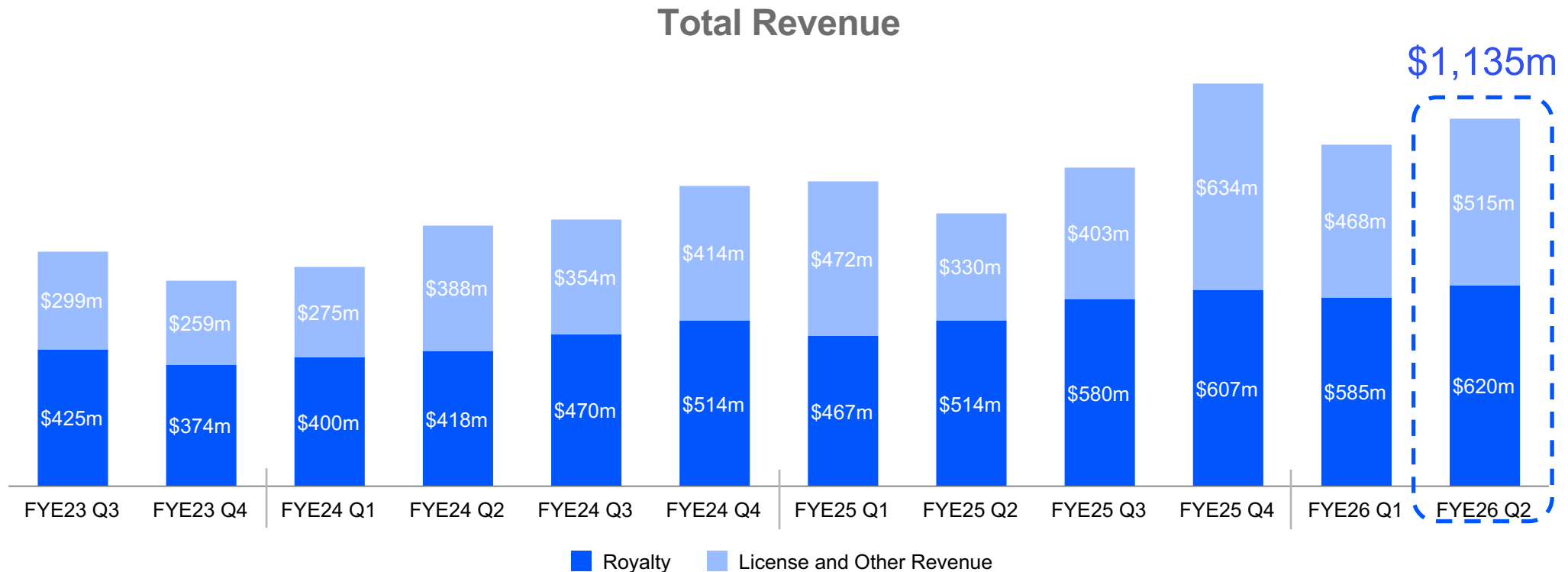
 NVIDIA
CUDA

 TensorFlow

WNDRVr

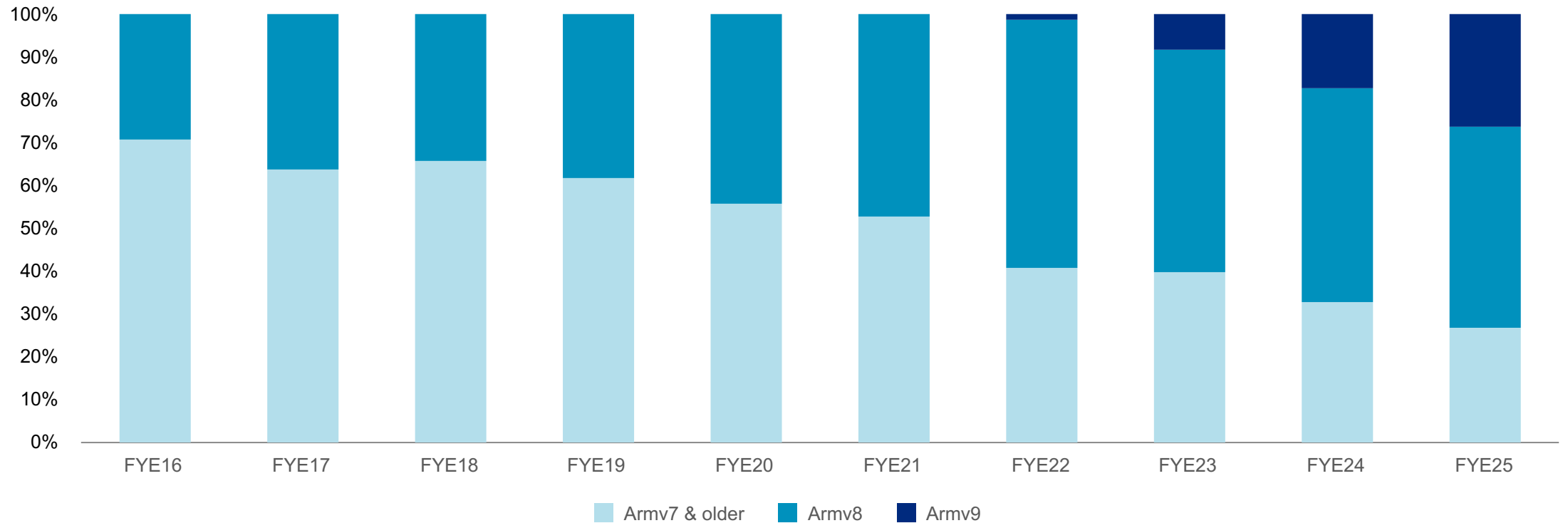
Q2 FYE26: Licensing and royalty revenues

- Total revenue: \$1,135m up 34% YoY
- Royalty revenue: \$620m up 21% 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: \$515m up 56% YoY due to normal fluctuations in the timing and size of multiple high-value license agreements and contributions from backlog



Armv9 adoption driving royalty growth

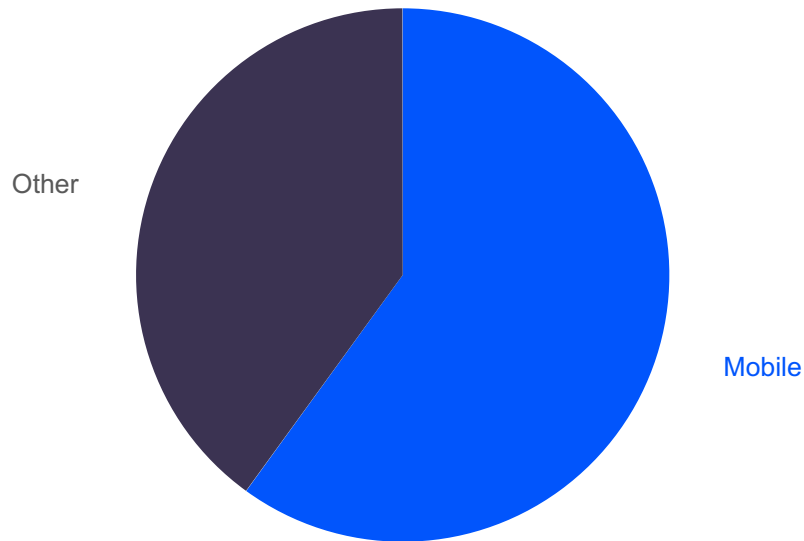
Royalty Revenue by Architecture



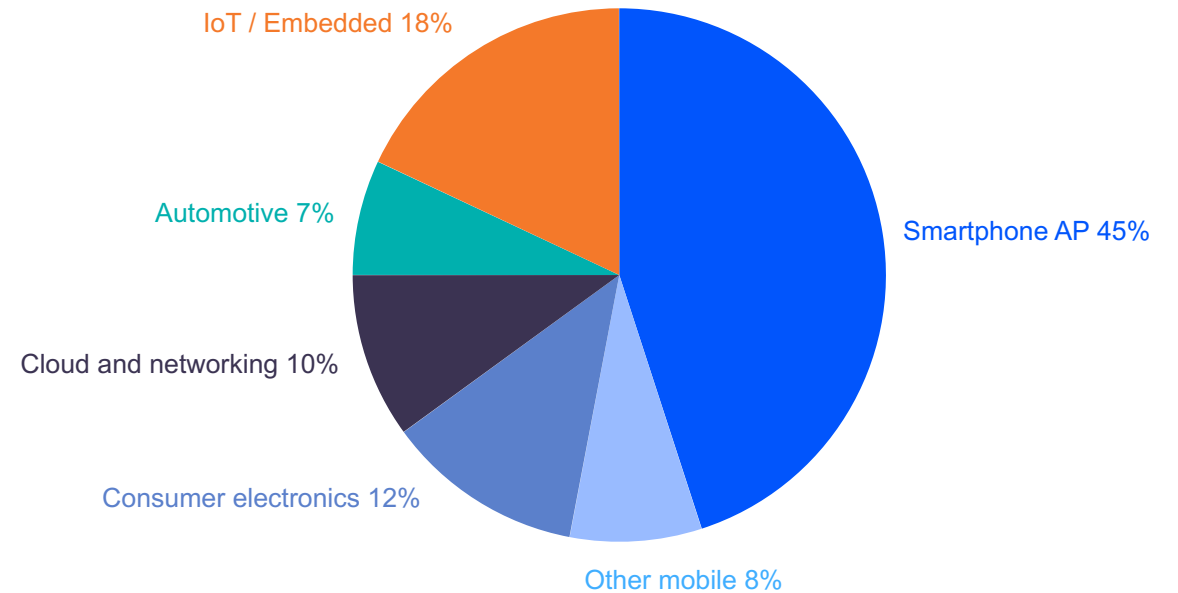
- Armv9 commands a higher royalty per chip than prior architectures
- Armv9 adoption has started in smartphones and cloud compute

Diversification in multiple long-term growth markets

Royalties by End Market - FYE16



Royalties by End Market - FYE25

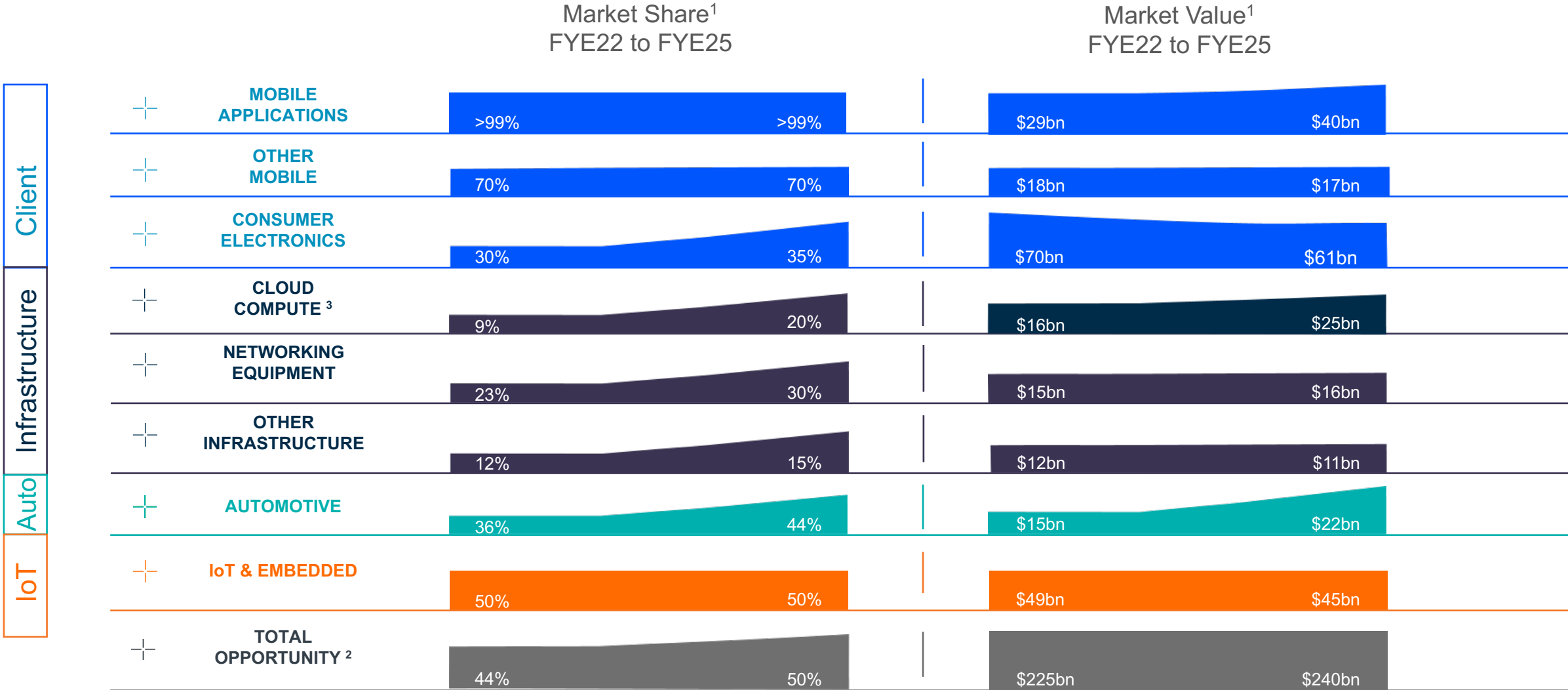


- Arm is increasing revenue beyond mobile through a broadening range of products including CPUs and systems for markets such as cloud, automotive and IoT/embedded compute

Note: reference to FYE16 relates to period before Arm acquisition by SoftBank.

Note: royalties represent approximate mix, based on reports received from our partners and Arm's internal assessment of end markets

Royalty: Gaining Share in a Massive Market



¹ Based on chip value

² Total Opportunity figures may not add due to rounding

³ Cloud Compute includes CPU market only

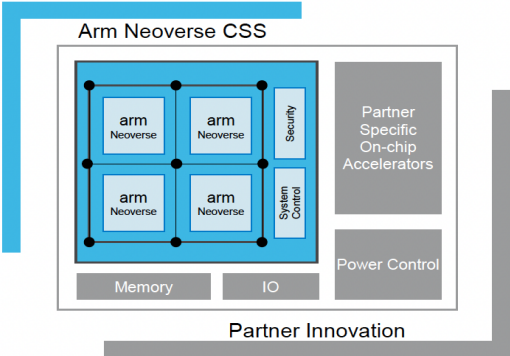
Source: Arm internal estimates, based on multiple third-party data sources.

Compute Subsystems: A better starting point for chip design

Rising design and manufacturing complexity is lifting cost, time-to-market and risk

CSS helps partners solve cost and time-to-market challenges

- Longer manufacturing time of highly complex chips compresses the time available for chip design
- CSS pre-integrated Arm IP reduces engineering effort and so reduces design time, cost and risk



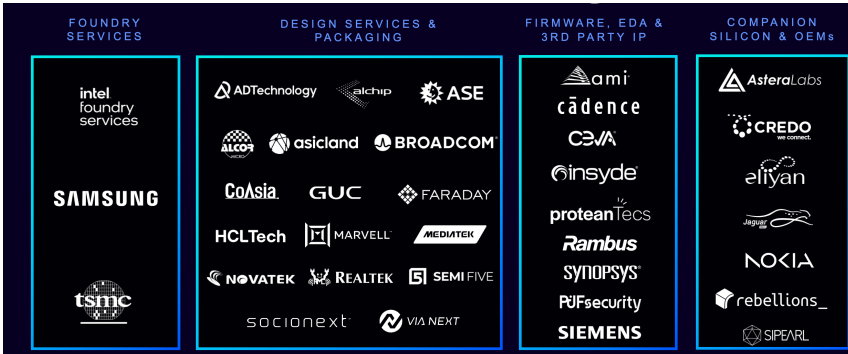
CSS adopted across many end markets

Smartphone	PC
Data center	Automotive

- Leading semi cos, OEMs and CSPs use CSS to accelerate chip designs
- 19 CSS licenses to date – ahead of plan; likely preferred model for many partners in the future

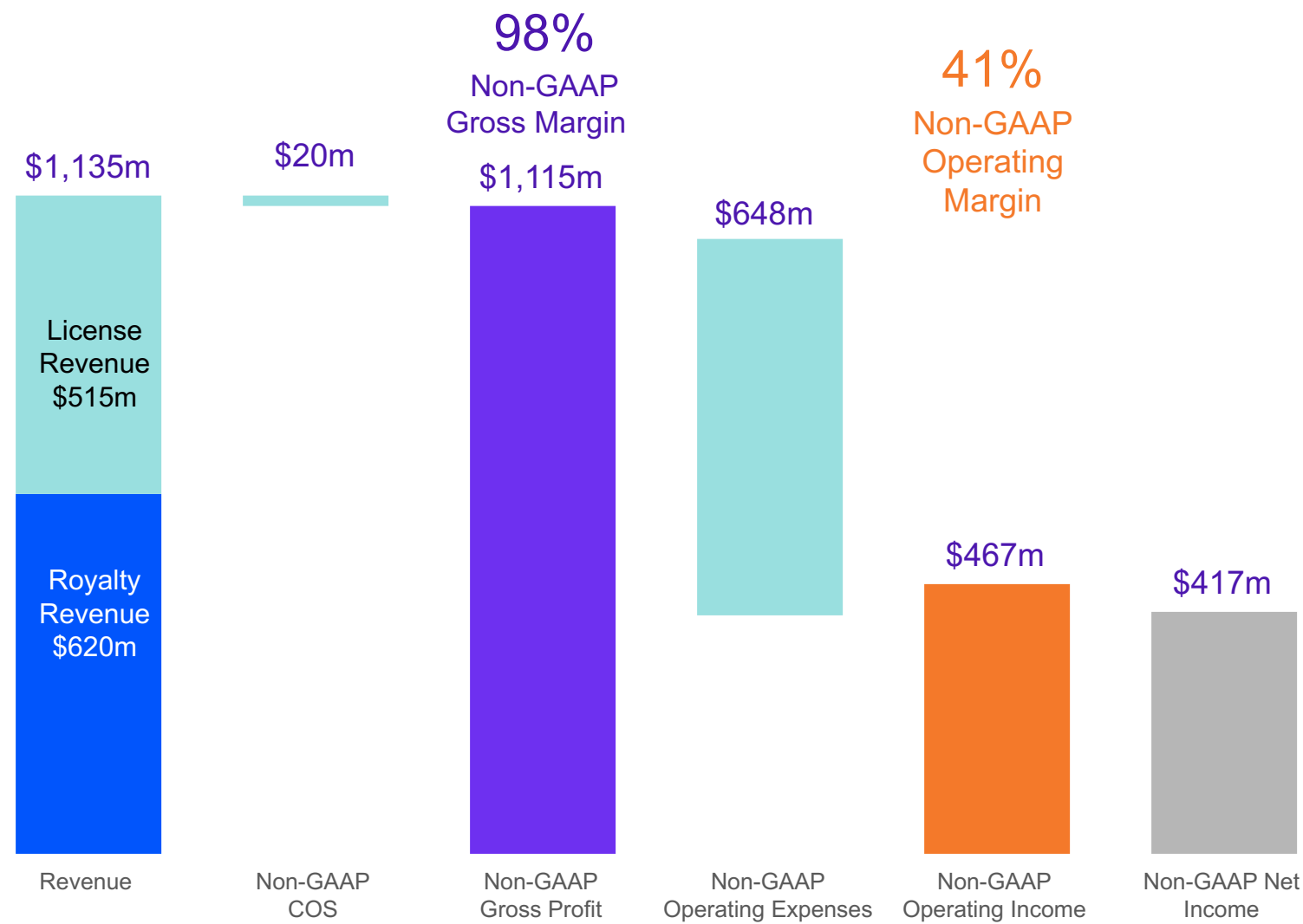
Growing ecosystem accelerates deployment

- Arm Total Design (ATD) ecosystem helps partners build custom Arm CSS chips
- More than 35 ATD partners include ASIC, EDA, backend, software, chiplet, and design services firms



CSS substantially increases Arm’s royalty revenue per chip

Q2 FYE26: From Revenues to Profits



Notes:
1. Depreciation and amortization for Q2 FYE26 was \$55m
2. See appendix for reconciliation of Non-GAAP metrics to the most directly comparable GAAP metrics.

Near-Term Guidance

	Q3 FYE26
Revenue (\$m)	\$1.225bn +/- \$50m
Non-GAAP Operating Expense (\$m) ¹	~\$720m
Non-GAAP fully diluted earnings per share (\$) ¹	\$0.41 +/- \$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.

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

325+ Billion

Arm-based chips shipped since inception

31 Billion

Arm-based chips reported as shipped in FYE25

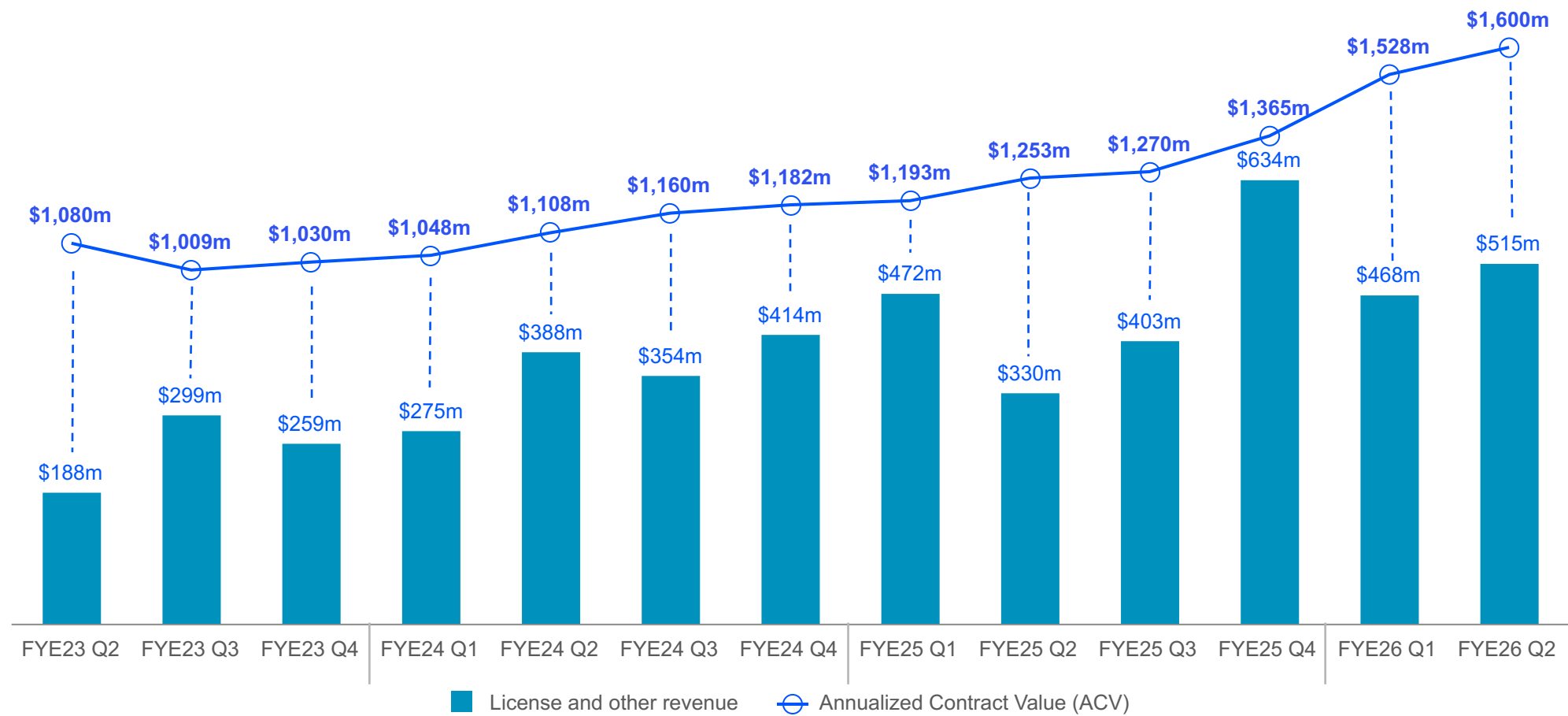
22M+

Software Developers on Arm

Appendix

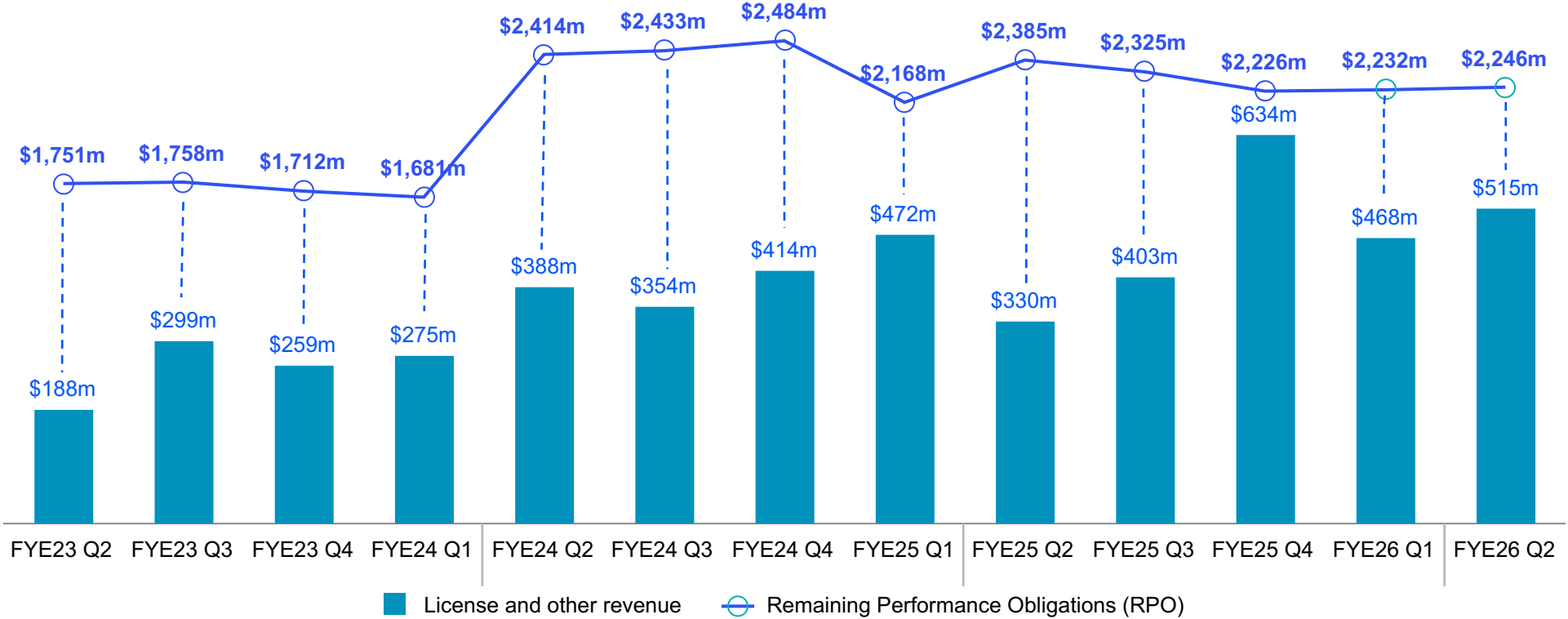
Q2 FYE26: Annualized Contract Value

- Annualized contract value, a metric for normalized license and other revenue, increased 28% YoY in Q2



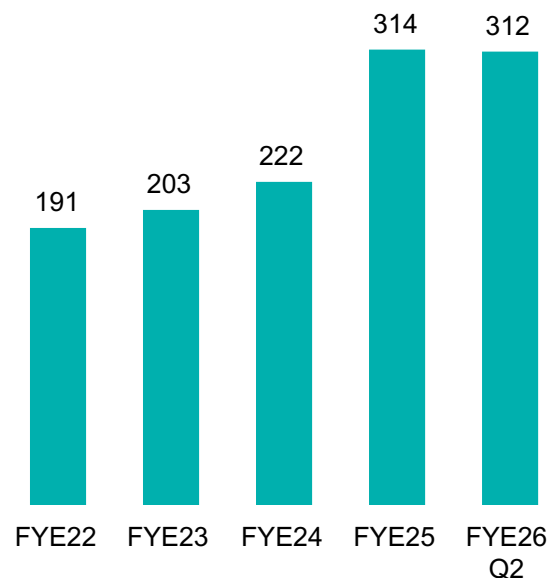
Q2 FYE26: Remaining Performance Obligations

- Remaining performance obligations (RPO), a metric for unearned revenue and amounts to be invoiced and recognized in future periods, increased 1% QoQ in Q2

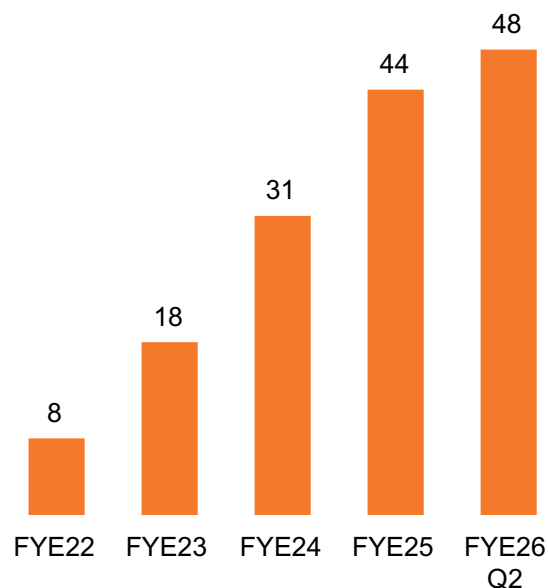


Q2 FYE26: Non-Financial Metrics

Arm Flexible Access



Arm Total Access

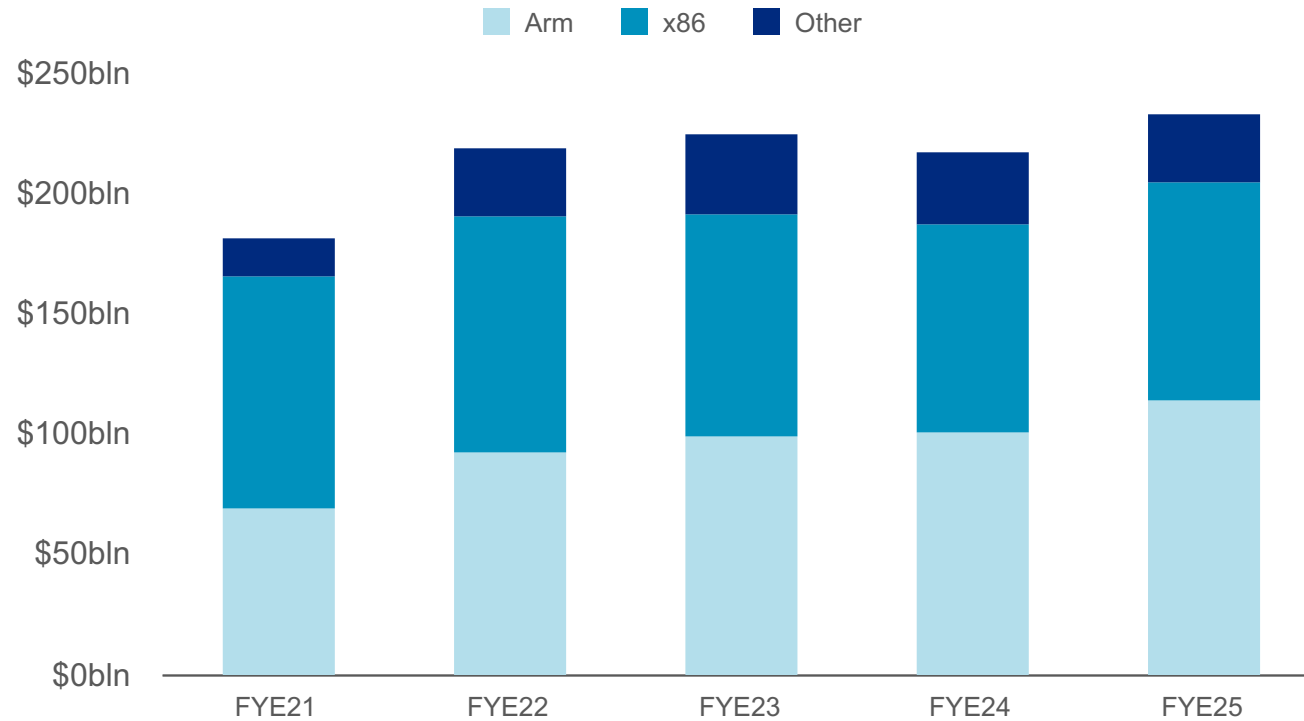


Data represents the full year total unless otherwise stated.

- Arm Total Access (ATA) at 48 extant licenses, up 3 QoQ and 9 YoY
 - Target market for these licenses include smartphones, AI accelerators, automotive applications, data centers and embedded computing
 - ATA licensees are typically long-term Arm partners and include more than half of our largest customers
- Arm Flexible Access at 312 extant licenses, down 1 QoQ and up 43 YoY
 - Targeting early-stage companies developing products for markets such as AI accelerators, automotive applications, consumer electronics, robotics and smart sensors

Royalty Revenue: Arm is Gaining Share

Market Share by Chip Value



Notes:

Based on Arm internal estimates.

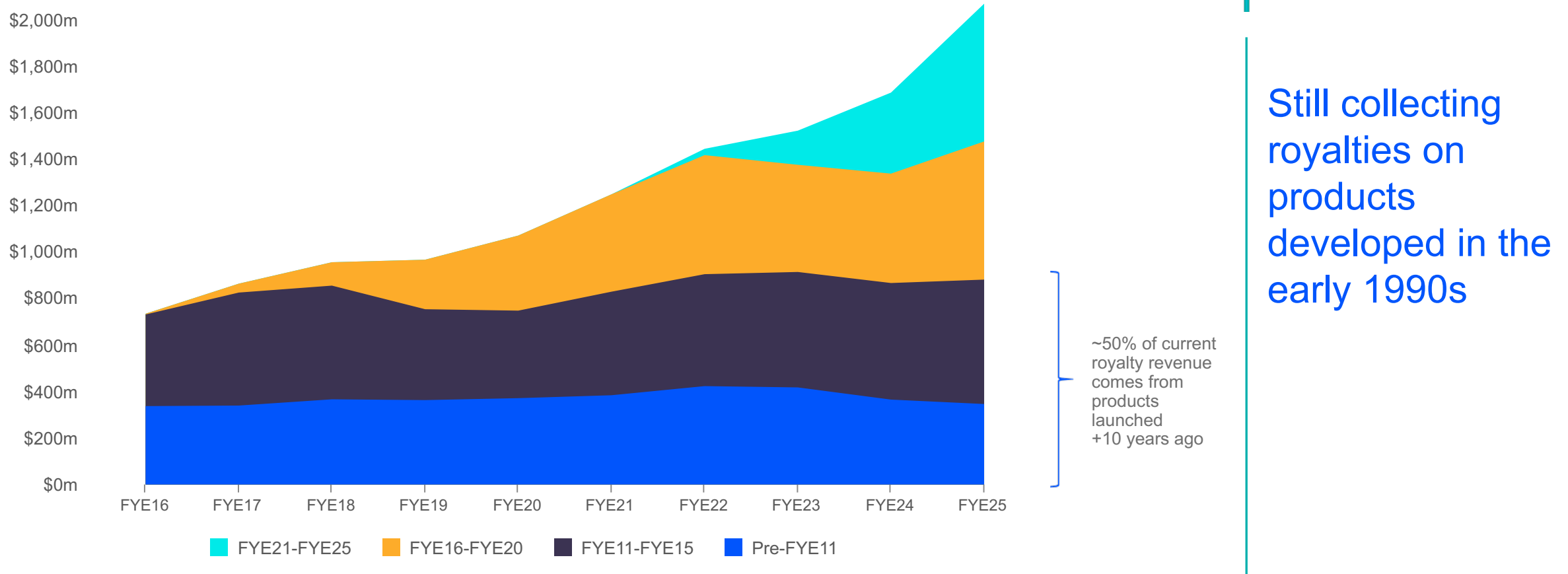
Other includes legacy and niche architectures such as:

- 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



Reconciliations: GAAP to Non-GAAP and Adjustments

	Three Months Ended September 30, 2025						
(in millions, except per share amounts)	GAAP Results	Share-based compensation cost (equity settled) ⁽¹⁾	Employer taxes related to SBC, net of R&D tax incentives ⁽²⁾	Gain on disposal of business	(Income) loss from equity method investments, net	Income tax effect on non-GAAP adjustments	Non-GAAP Results
Total revenue	\$1,135	\$—	\$—	\$—	\$—	\$—	\$1,135
Cost of sales	(29)	7	2		—	—	(20)
Gross profit (loss)	1,106	7	2	—	—	—	1,115
Gross margin	97.4%						98.2%
Operating expenses:							
Research and development	(691)	197	28	—	—	—	(466)
Selling, general and administrative	(252)	61	9	—	—	—	(182)
Total operating expense	(943)	258	37	—	—	—	(648)
Operating income (loss)	163	265	39	—	—	—	467
Operating margin	14.4%						41.1%
Income (loss) from equity investments, net	(16)	—	—	—	16	—	—
Interest income, net	27	—	—	—	—	—	27
Other non-operating income (loss), net	128	—	—	(131)	—	—	(3)
Income (loss) before income taxes	302	265	39	(131)	16	—	491
Income tax benefit (expense)	(64)	—	—	—	—	(10)	(74)
Net income (loss)	\$238	\$265	\$39	\$(131)	\$16	\$(10)	\$417
Net income (loss) per share attributable to ordinary shareholders							
Basic	\$0.22						\$0.39
Diluted	\$0.22						\$0.39
Weighted average ordinary shares outstanding							
Basic	1,060						1,060
Diluted	1,069						1,069
Effective tax rate benefit (expense)	(21.2)%						(15.1)%

(1) Total SBC cost was \$265 million for the three months ended September 30, 2025, all of which relates to equity-classified awards.

(2) 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 September 30,	
	2025	2024
Cash flows provided by (used for) operating activities:		
Net income (loss)	\$ 238	\$ 107
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	55	44
Deferred income taxes	(12)	(13)
(Income) loss from equity investments, net	16	10
Share-based compensation cost	265	218
Operating lease expense	14	9
Gain on business divestiture	(131)	—
Other non-cash operating activities, net	(13)	11
Changes in assets and liabilities:		
Accounts receivable, net (including receivables from related parties)	196	(202)
Contract assets, net (including contract assets from related parties)	(30)	91
Prepaid expenses and other assets	(34)	(62)
Accrued compensation and benefits	(17)	8
Contract liabilities (including contract liabilities from related parties)	29	(2)
Tax liabilities	12	(64)
Operating lease liabilities	(13)	(10)
Other liabilities (including payables to related parties)	(8)	(139)
Net cash provided by (used for) operating activities	\$ 567	\$ 6
Cash flows provided by (used for) investing activities		
Purchases of short-term investments	(50)	(15)
Proceeds from maturity of short-term investments	260	155
Purchases of equity investments	(1)	(5)
Purchases of intangible assets	(2)	(7)
Proceeds from business divestiture	127	—
Purchases of property and equipment	(138)	(53)
Other investing activities, net, including investments in convertible loans	—	—
Net cash provided by (used for) investing activities	\$ 196	\$ 75
Cash flows provided by (used for) financing activities		
Payments of intangible asset obligations	(16)	(11)
Proceeds from Employee Stock Purchase Plan	35	—
Other financing activities, net	(7)	(17)
Payments of withholding tax on vested shares	(202)	(25)
Net cash provided by (used for) financing activities	\$ (190)	\$ (53)
Effect of foreign exchange rate changes on cash and cash equivalents	(11)	5
Net increase (decrease) in cash and cash equivalents	562	33
Cash and cash equivalents at the beginning of the period	1,956	1,465
Cash and cash equivalents at the end of the period	<u>\$ 2,518</u>	<u>\$ 1,498</u>

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

(in millions)	Three Months Ended September 30,	
	2025	2024
Net cash provided by (used for) operating activities	\$ 567	\$ 6
<i>Adjusted for:</i>		
Purchases of property and equipment	(138)	(53)
Purchases of intangible assets	(2)	(7)
Payment of intangible asset obligations	(16)	(11)
Non-GAAP free cash flow	<u>\$ 411</u>	<u>\$ (65)</u>

(in millions)	Trailing Twelve Months Ended September 30,	
	2025	2024
Net cash provided by (used for) operating activities	\$ 1,580	\$ 693
<i>Adjusted for:</i>		
Purchases of property and equipment	(429)	(114)
Purchases of intangible assets	(13)	(54)
Payment of intangible asset obligations	(65)	(50)
Non-GAAP free cash flow TTM	<u>\$ 1,073</u>	<u>\$ 475</u>