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Arm Holdings plc
SoftBank Investor Briefing

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AI-generated image

Nomenclature difference between Arm and SoftBank Group

SoftBank Group

Fiscal year ending March 31, 2024

FY2023

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Fiscal year ending March 31, 2024

FYE24

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Q3 FYE24 – From Revenues to Profits to Cash

97% NG GP Margin

41% Non-GAAP Operating Margin

30% Revenue to Cash Conversion

$824m — Revenue (Royalty Revenue / License Revenue)

$27m — Non-GAAP Cost of Sales

$797m — Non-GAAP Gross Profit

$459m[2] — Non-GAAP Operating Costs

$338m[2] — Non-GAAP[1] Operating Income

$251m — Non-GAAP[1] Free Cash Flow

Data from Q3 FYE24
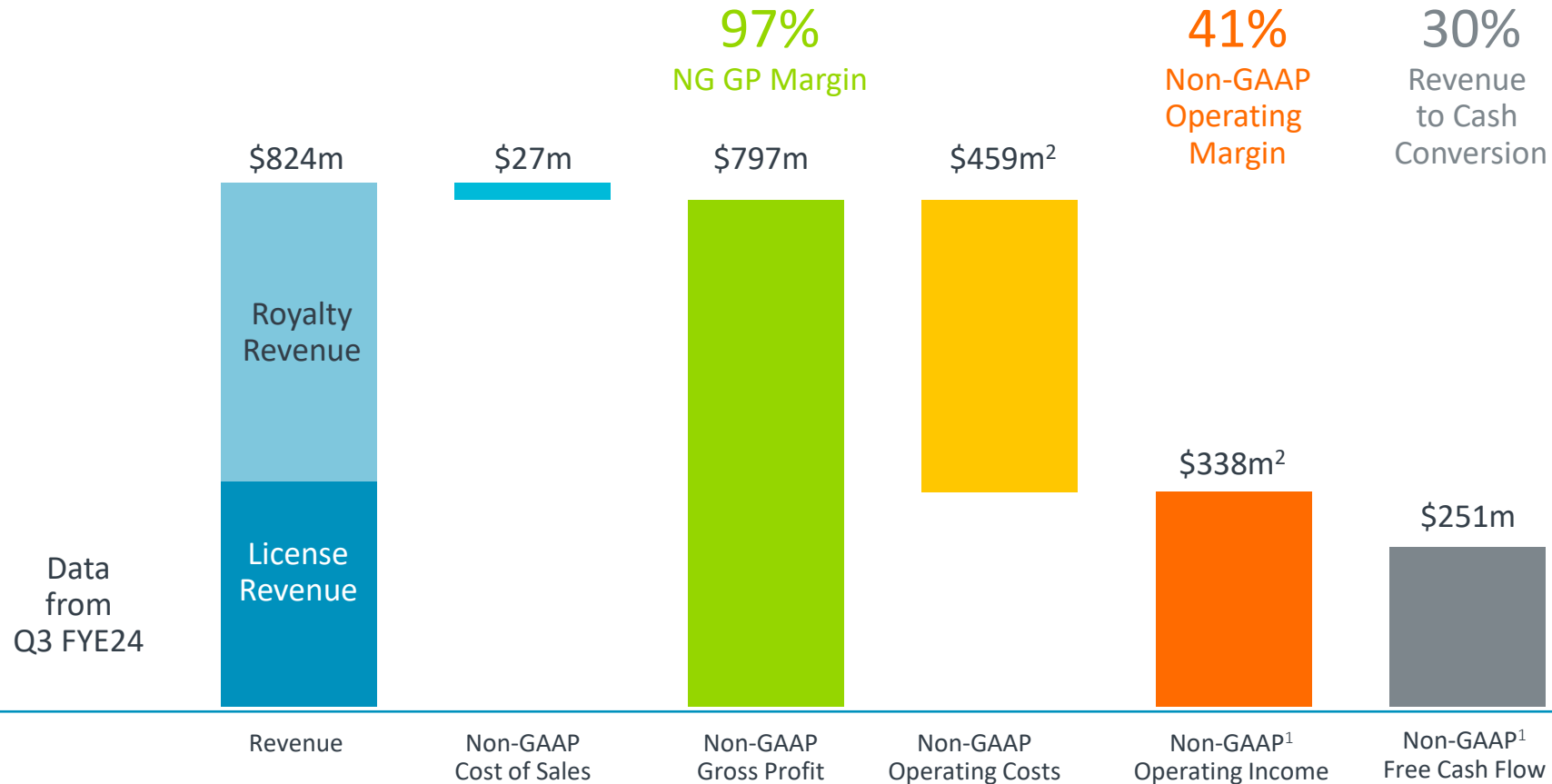
Note: Depreciation and amortisation for Q3 FYE24 totals $42m

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

2. Non-GAAP operating costs includes $23m of employer taxes related to equity-classified awards vesting within the quarter, net of the research and development tax credit associated with these taxes. These taxes will be excluded from non-GAAP presentations from next quarter. Had they been excluded from Q3 then operating margin would have been 44%.

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World Semiconductor Trade Statistics (WSTS) Semi Revenue
Arm Addressable Semiconductor Revenue up +26% Y/Y in December, up +21% for December Quarter

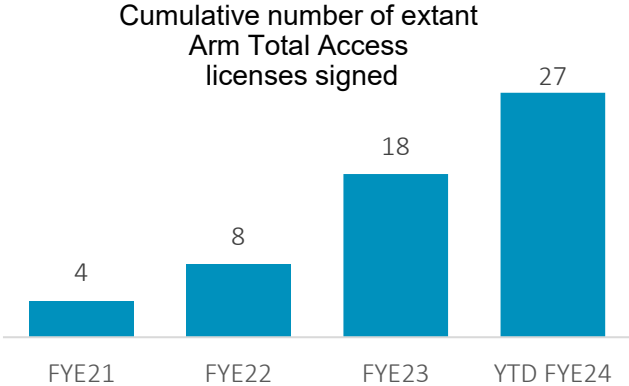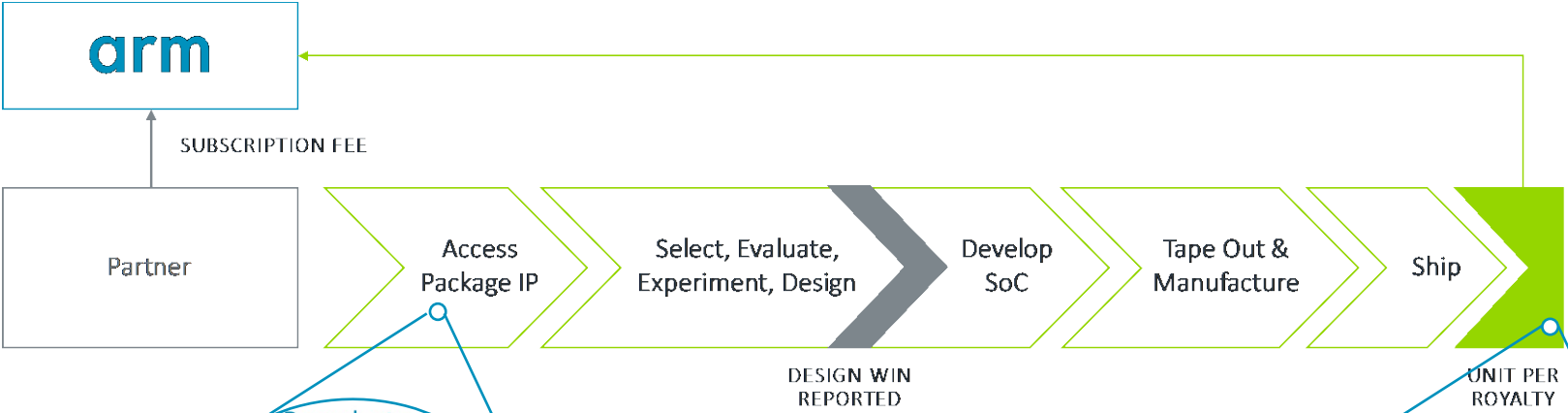**Arm Addressable Semiconductor Market $ (Bs)**
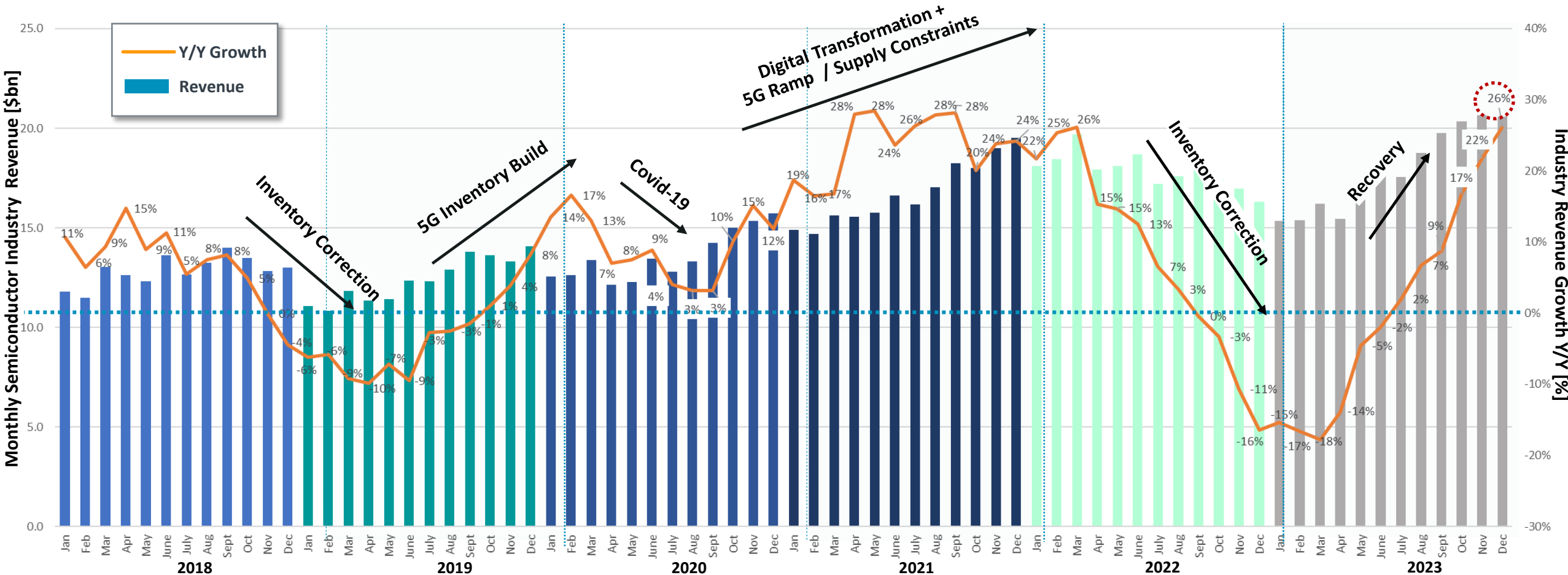
Arm addressable semiconductor market for December up +26% Y/Y and Flat M/M. MPU market value was up 34% Y/Y, reflecting inventory drawdown near-completion. ASIC/ASSP market value continues to be up YoY with December 2023 up +31% Y/Y. For the December quarter, Arm addressable market was up +21% Y/Y.

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Source: WSTS February 2024   Arm Core Addressable includes MCU, MPU, DSP, ASIC/ASSP

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Arm's new business model is driving more business

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

Cumulative number of extant Arm Total Access licenses signed

Arm Total Access expected to lead to more Arm IP per chip resulting in higher royalty rate per chip

Arm's Long-term growth drivers

Royalty revenue

Royalty revenue will drive growth as

- Semiconductor industry grows,
- Arm gains share in servers and automotive
- Arm receives a higher royalty rate for its latest technology such as Armv9

Energy-efficient AI compute

Generative AI and LLMs need:

- High performance compute for low latency response time
- Energy efficient to remain within power and thermal budgets

MediaTek, Qualcomm and Samsung using Arm Cortex-X4 for AI smartphones

Compute subsystems
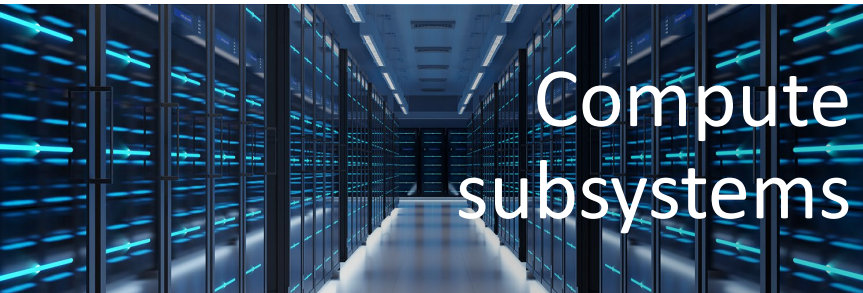
Compute subsystems provide a better starting point for chip designs

- Integrated and verified subsystems designed for specific end markets
- Reducing time to market and providing large cost savings

Microsoft's first server chip is based on Arm Neoverse Compute Subsystem

Software & design ecosystem

Arm has the world's largest software and chip design ecosystem

- Arm is investing in creating the ecosystem needed for AI everywhere
- Arm's AI engine for consumer electronic devices, ArmNN, has been downloaded 700m times

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Guidance

	Q4 FYE 24	FYE 24
Revenue ($m)	$850m - $900m	$3,155m - $3,205m
Non-GAAP Operating Expense ($m)[1]	~$490m	~$1,700m
Non-GAAP fully diluted earnings per share ($)[1]	$0.28 - $0.33	$1.20 - $1.24

Note 1: Excludes employer taxes related to equity-classified awards vesting within the quarter, net of the research and development tax credit associated with these taxes.

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