Arm Limited is a subsidiary of SoftBank

Arm technology development accelerated by SoftBank acquisition

Ian Thornton, Head of Investor Relations

Tokyo

5 December 2018

Arm update

- Financial Update
- Arm China Update
- New approach to investment following SoftBank acquisition
- New technologies that will provide basis for future growth
  - Laptops, servers and automotive
  - New IoT SaaS business

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Financial Update

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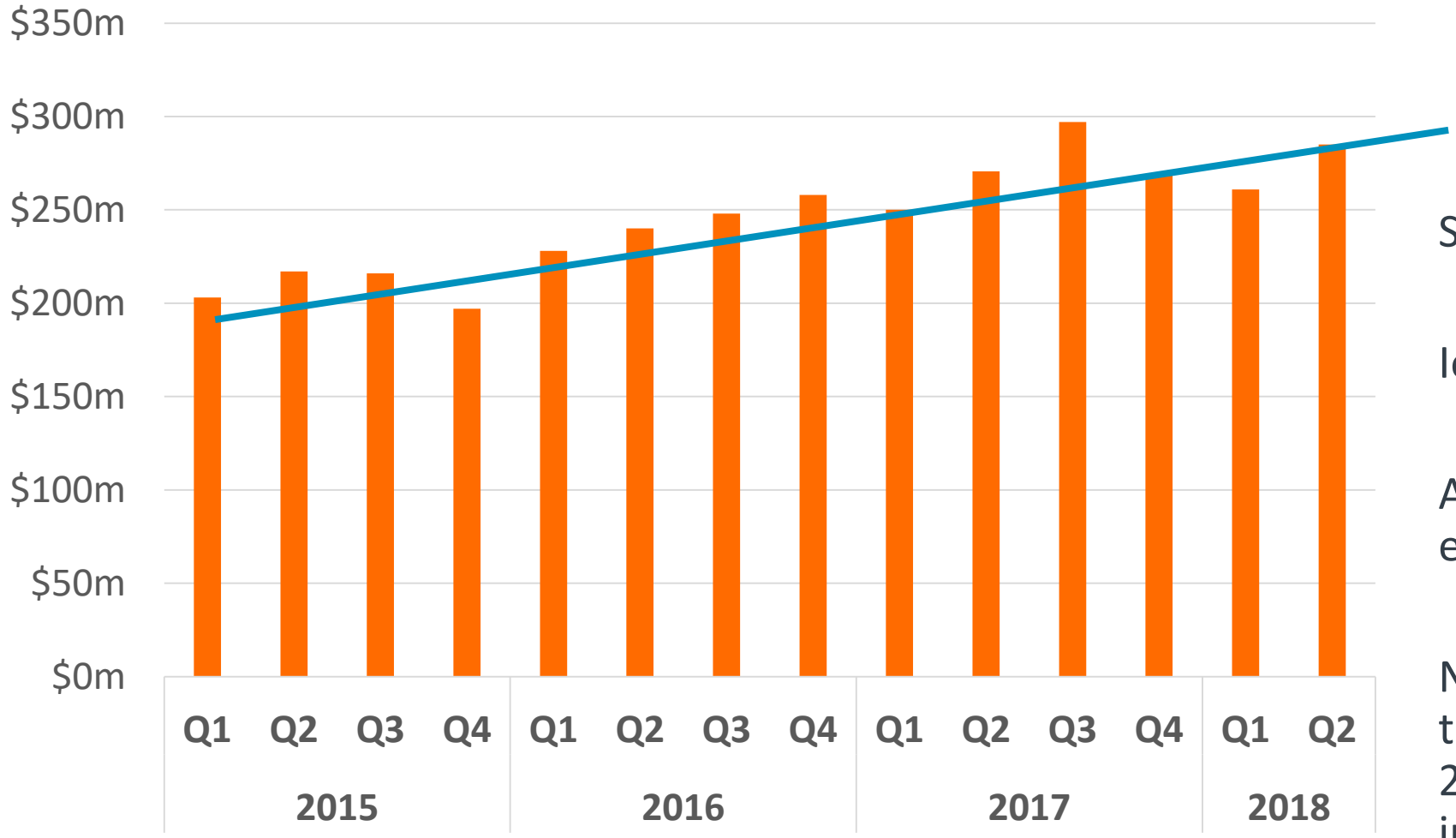
H1 2018: Royalty



Consistent 11% CAGR

Smartphone growth has slowed

IoT is still very low volumes

Arm based servers is very encouraging

New royalties from new technologies expected first in 2020 and to become meaningful in 2022

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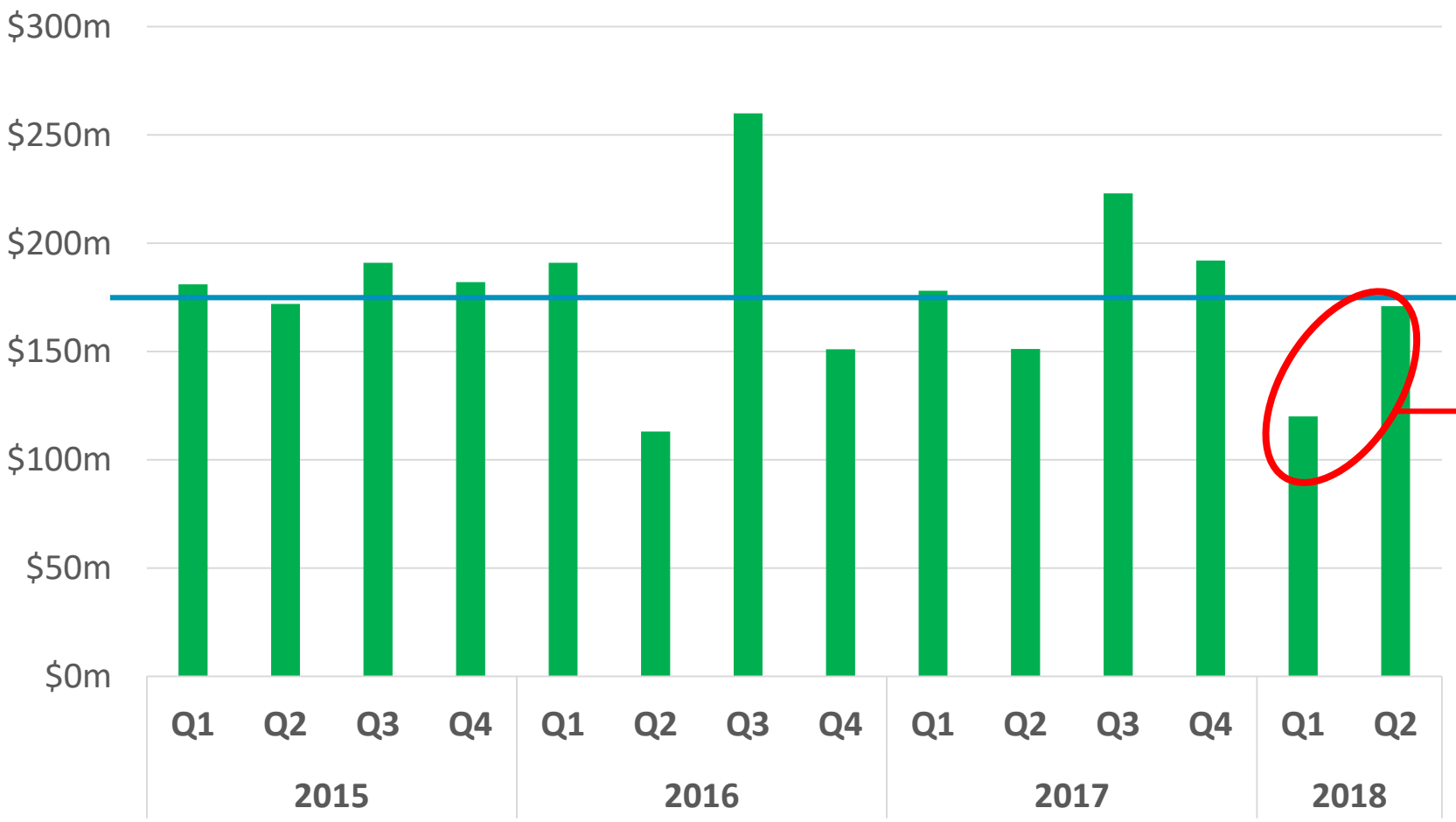
H1 2018: Non-Royalty (Technology Licensing and Software)



Remains $180m on average

Arm China JV bottleneck

Revenues from new technologies start to come through in 2019:

- New processor roadmap
- New AI products
- New Pelion services

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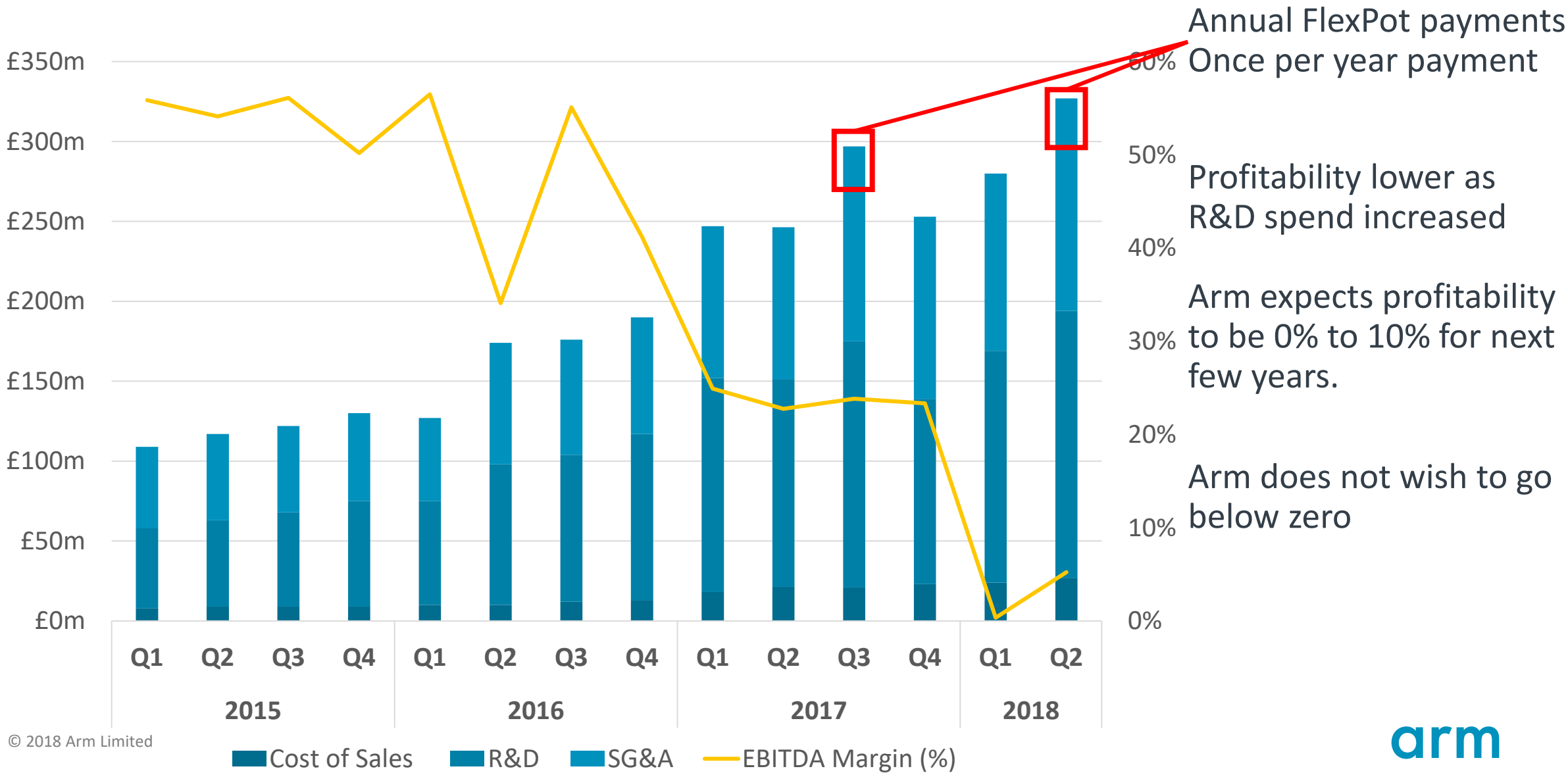
H1 2018: Investments and profitability



Annual FlexPot payments
Once per year payment

Profitability lower as R&D spend increased

Arm expects profitability to be 0% to 10% for next few years.

Arm does not wish to go below zero

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Arm China JV Update

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Establishing Arm China JV in Fiscal H1 2018

Building a bigger business; built on strong foundations

>150

Licensees

10bn

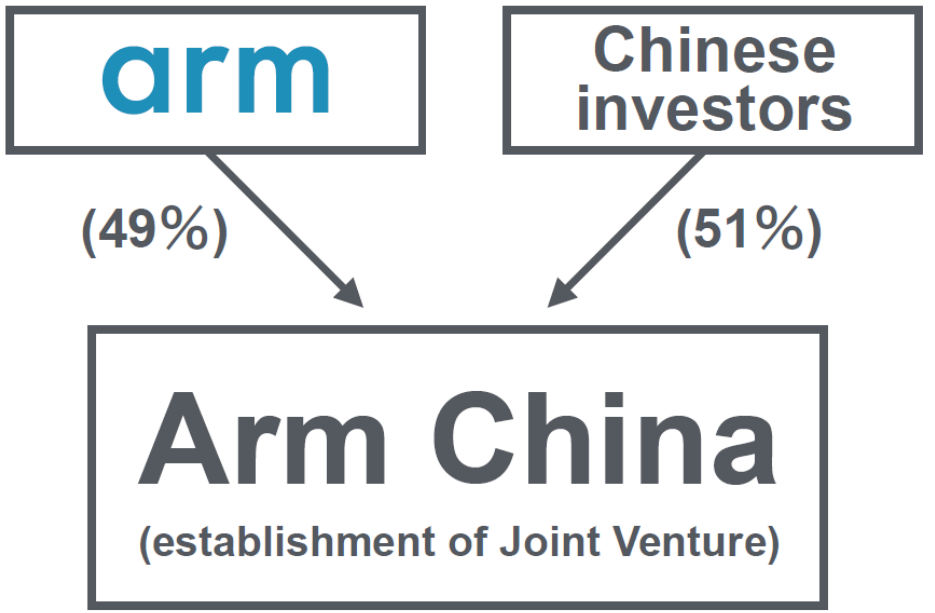
Chips shipped by Chinese partners using Arm processor technology

95%

Chinese designed SoC based on Arm processor technology

x140

Growth in volume shipment by Chinese partners 2006-2017



Arm China will be able to better access new local technology opportunities, especially in server, smart meter/grids and IoT

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Establishing Arm China JV in Fiscal H1 2018

Building a bigger business; built on strong foundations

>150

Customers to novate from Arm Limited to Arm China

341

Employees transferred to Arm China in Q1

~20%

Arm's revenue came from China in 2017

10-20

Licenses signed in a typical quarter with Chinese customers

Significant proportion of future revenues will be passed back to Arm Limited

Arm China JV establishment was initiated in early Q1 2018 and completed at the end Q1

Novation (transfer) process of historical contracts resulted in a delay to contract signing in H1 2018

90% of contracts novated by end of H1 2018

Arm China expected to be "business as usual" by end of Fiscal Year

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New approach to investment

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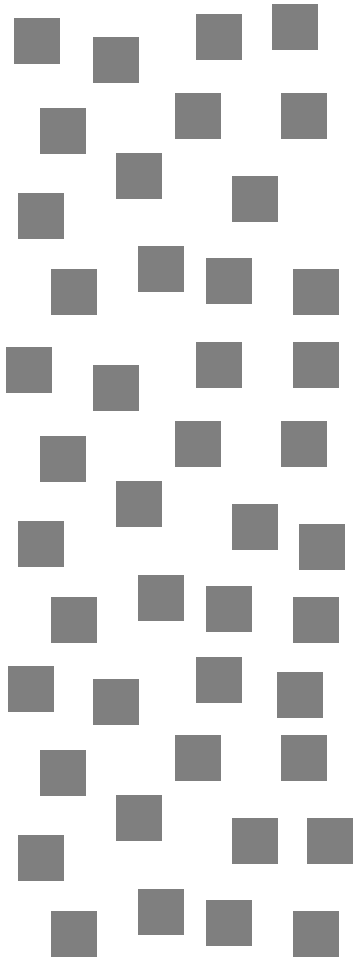
Historic approach for high-performance processors

Arm Partners



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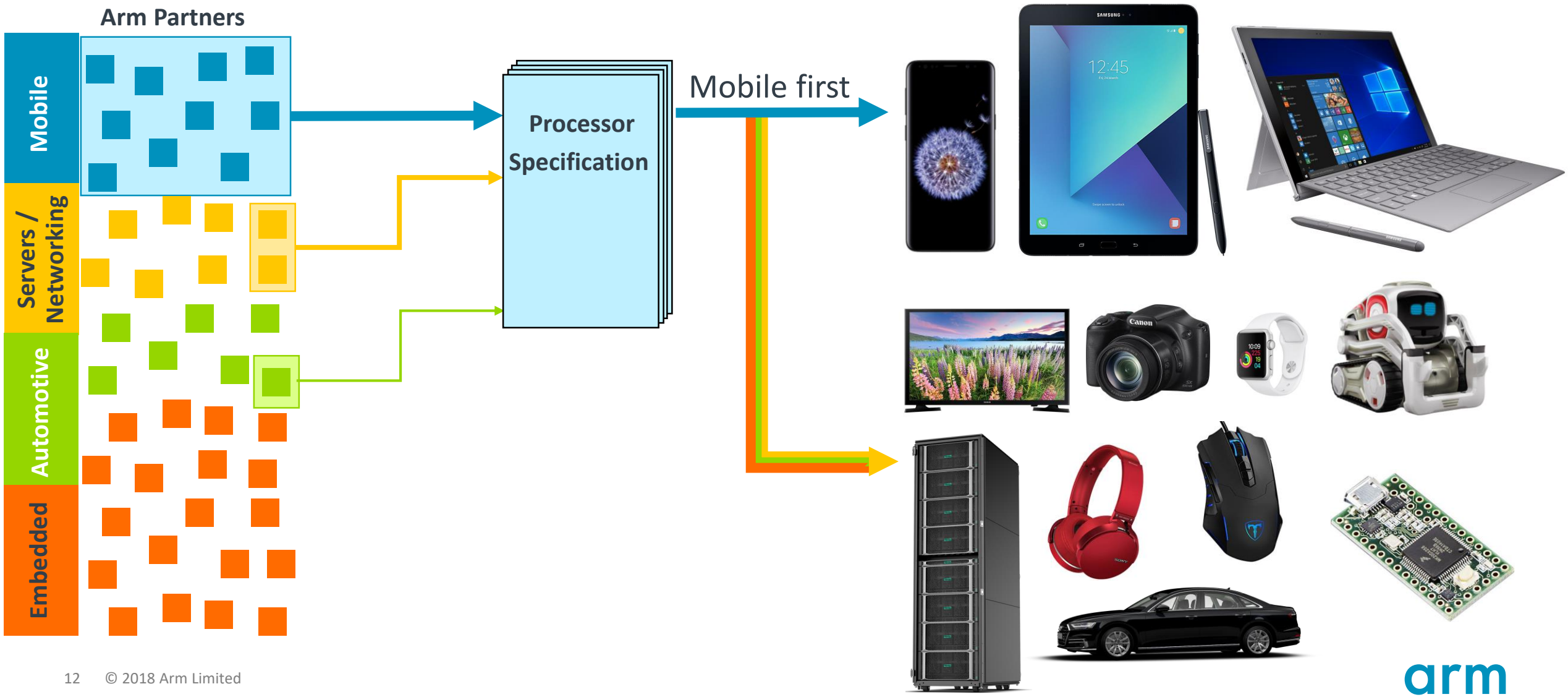
Historic approach for high-performance processors



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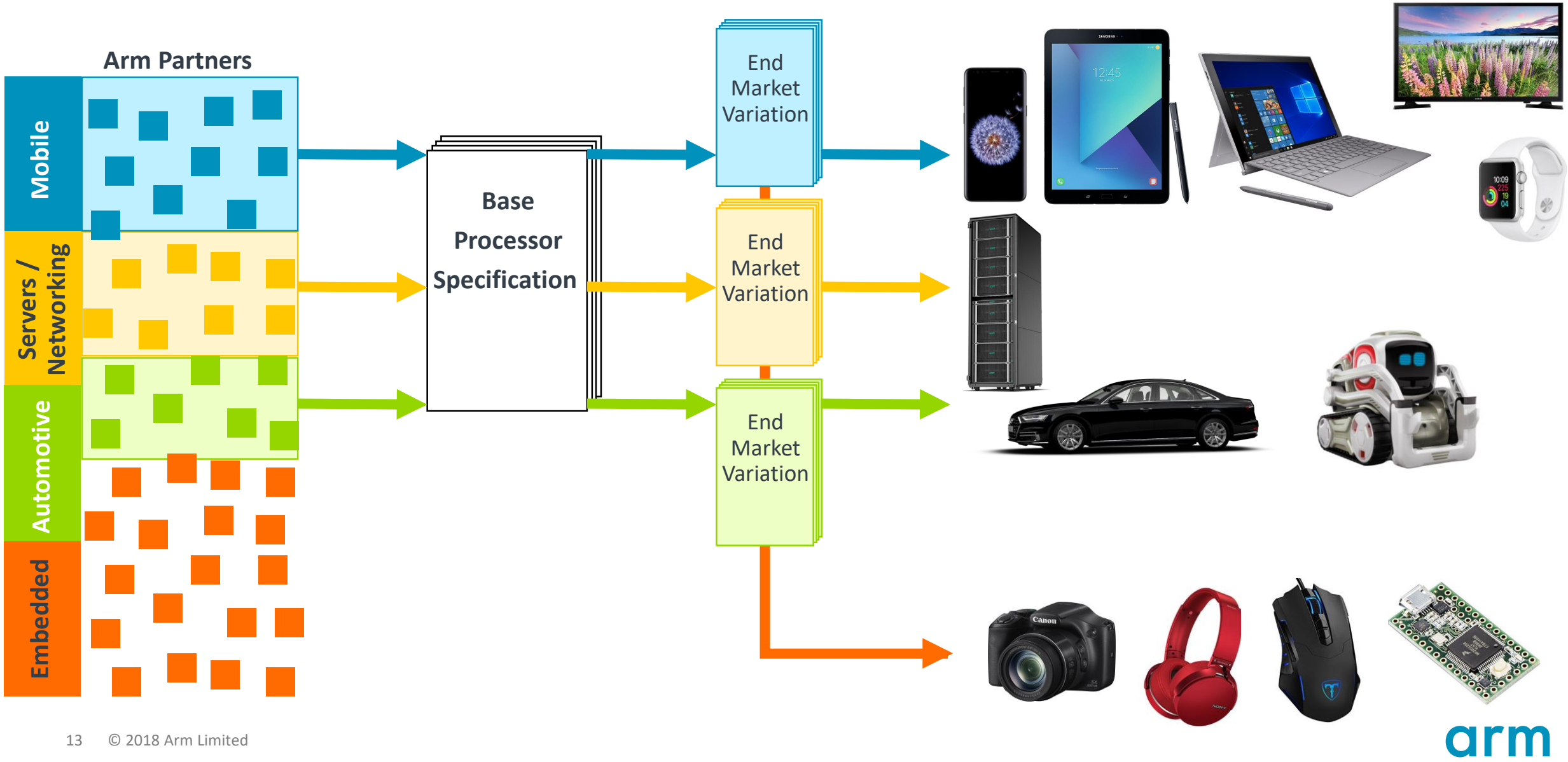
New approach for high-performance processors



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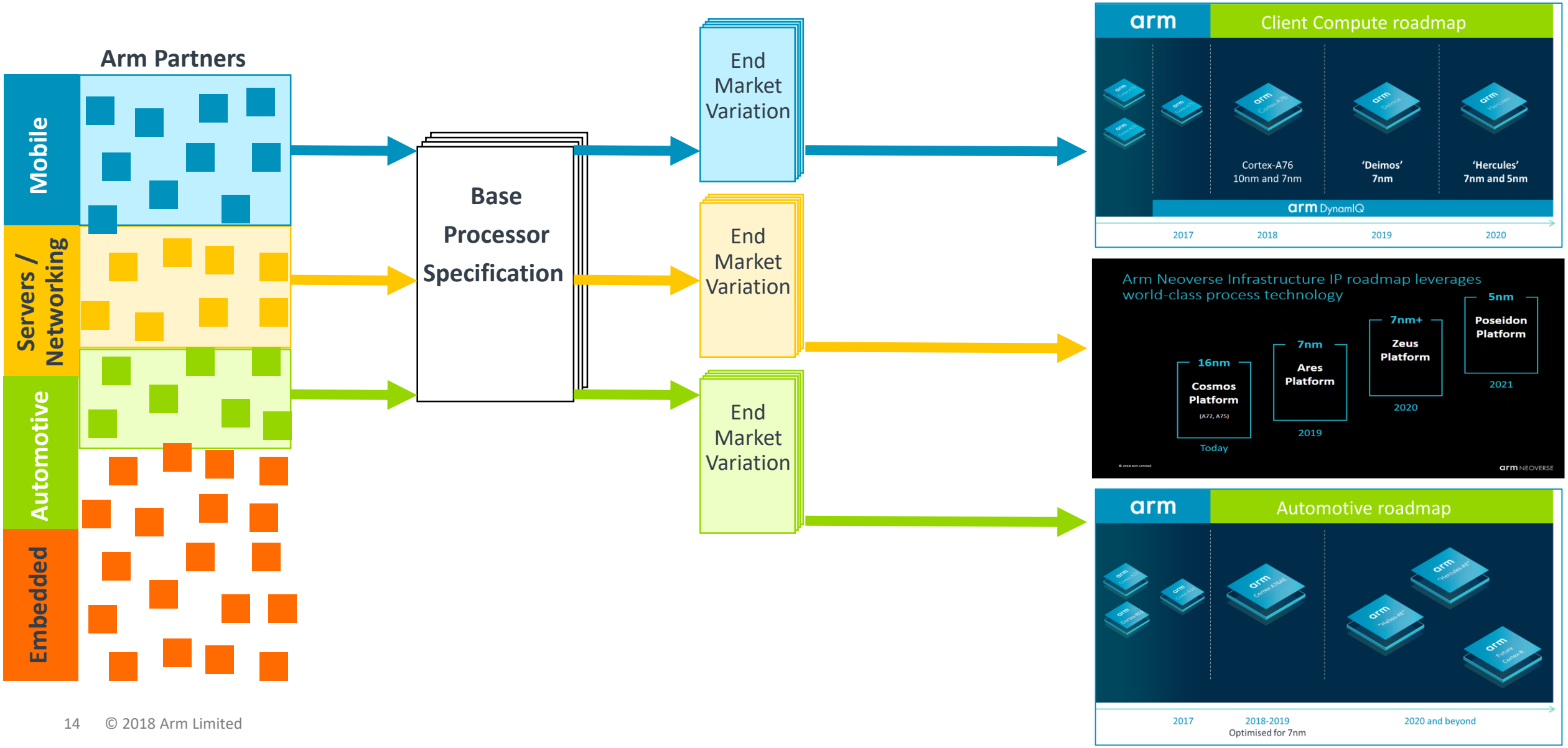
New approach for high-performance processors



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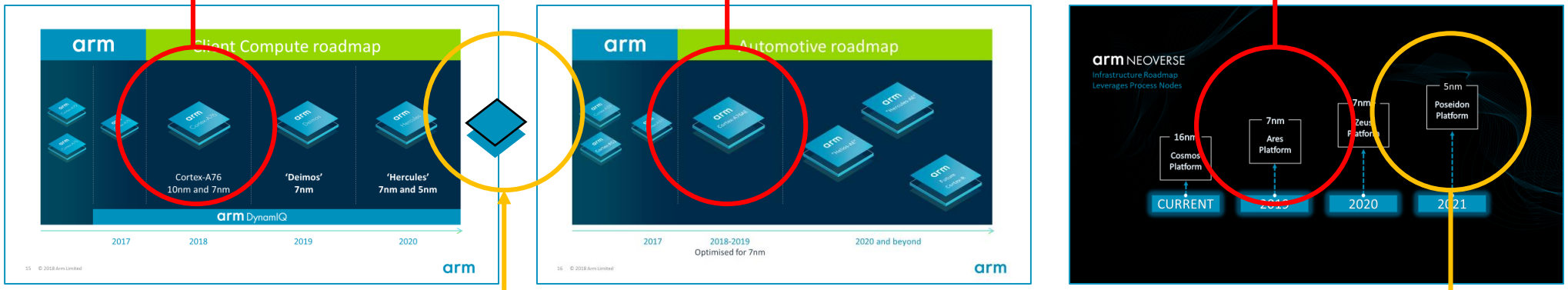
New approach to investment

Shared base processor technology
Optimised for end markets



Base technology
for future mobile processor

Adds 10%-20% to development costs

Higher development costs expected to be covered by higher licensing fees

Higher long-term profitability expected from higher future royalty fees

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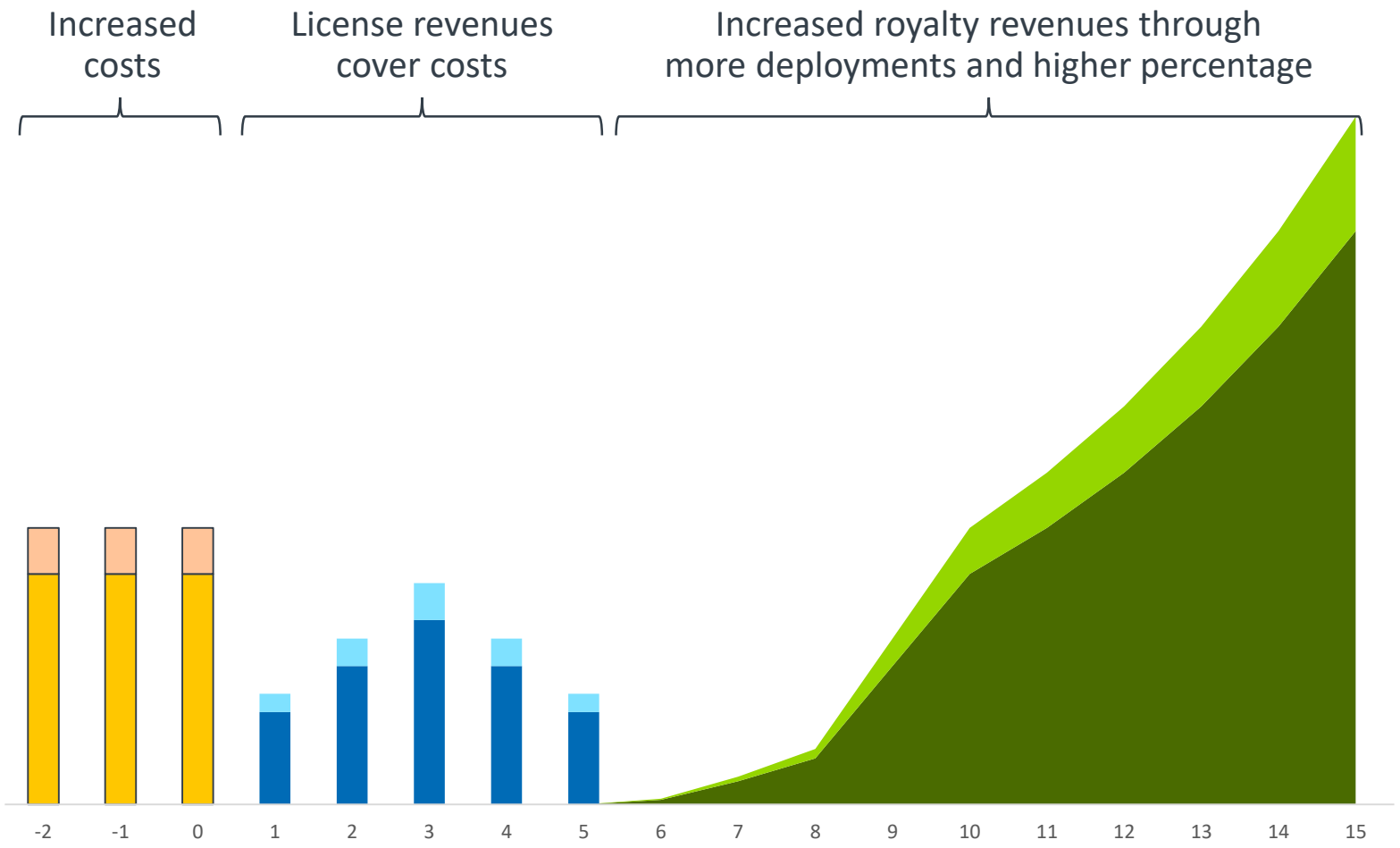
Increased development costs offset by increased revenues



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New roadmaps optimised for specific end markets

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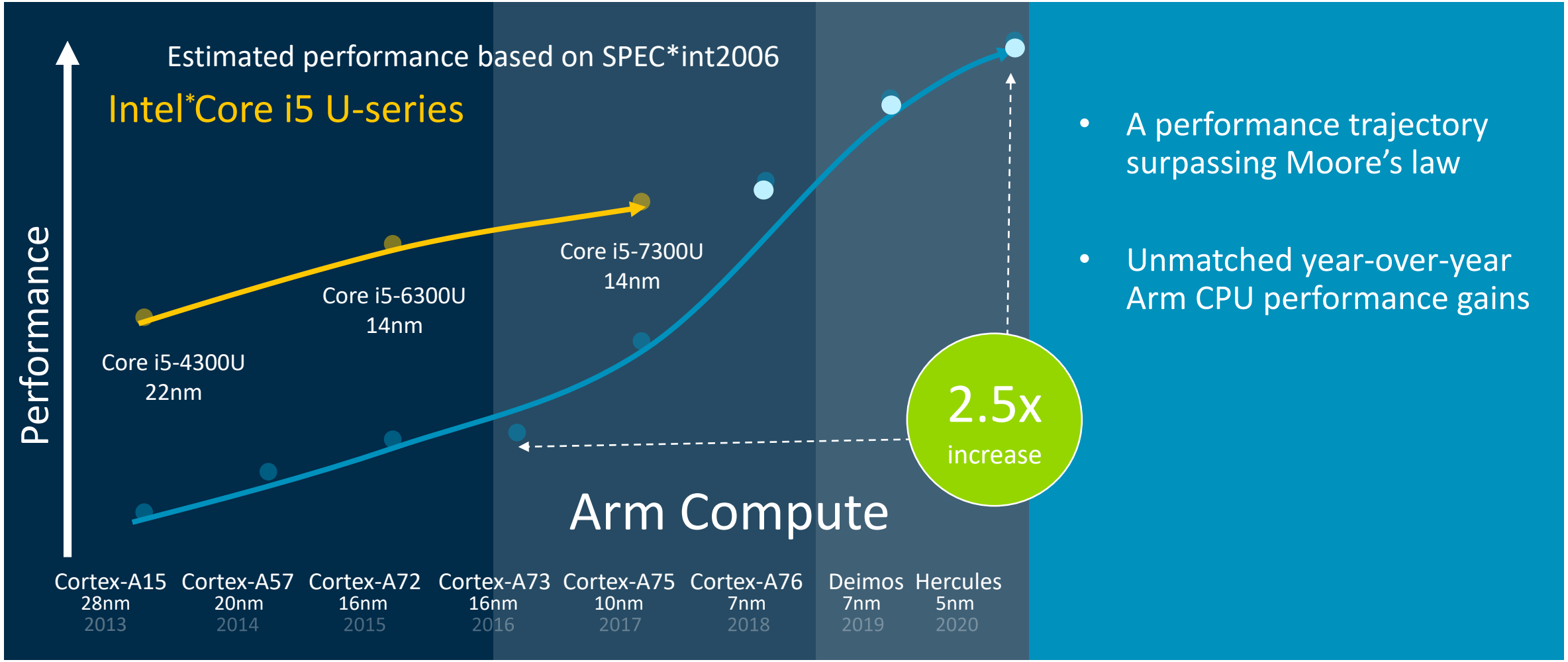
Arm processor roadmap for laptops and computing



- A performance trajectory surpassing Moore's law
- Unmatched year-over-year Arm CPU performance gains

Measured estimates on SPECint*_base2006 (SPECspeed* Integer component of SPEC CPU* 2006) on Intel Core i5-7300U, Core i5-6300U, Corei5-4300U, Arm single-core performance estimated for compute platform. Results are measured estimates using specific computer systems, software, components, operations, and functions and changes to any of these factors will cause the results to vary.

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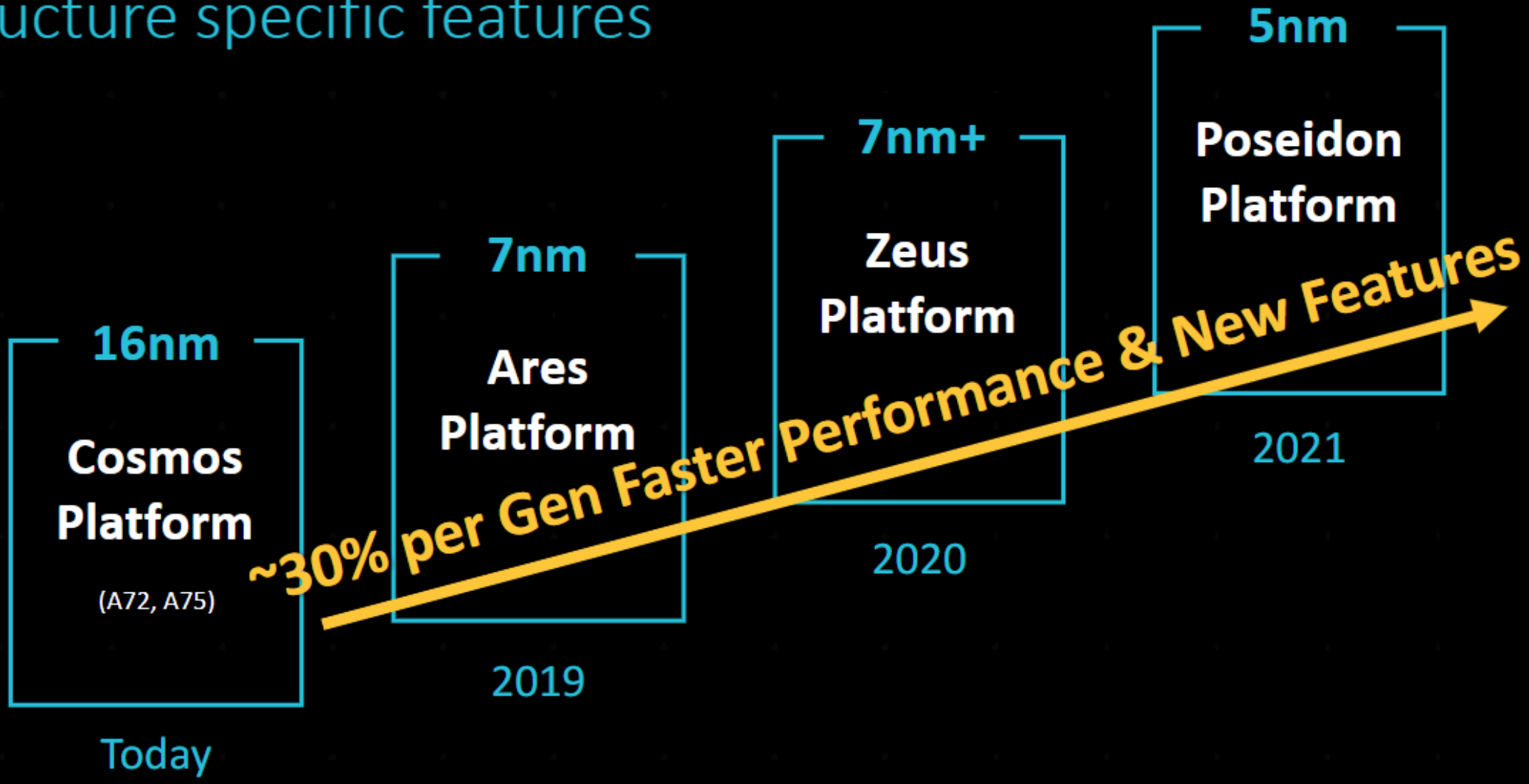
Each generation brings faster performance and new infrastructure specific features



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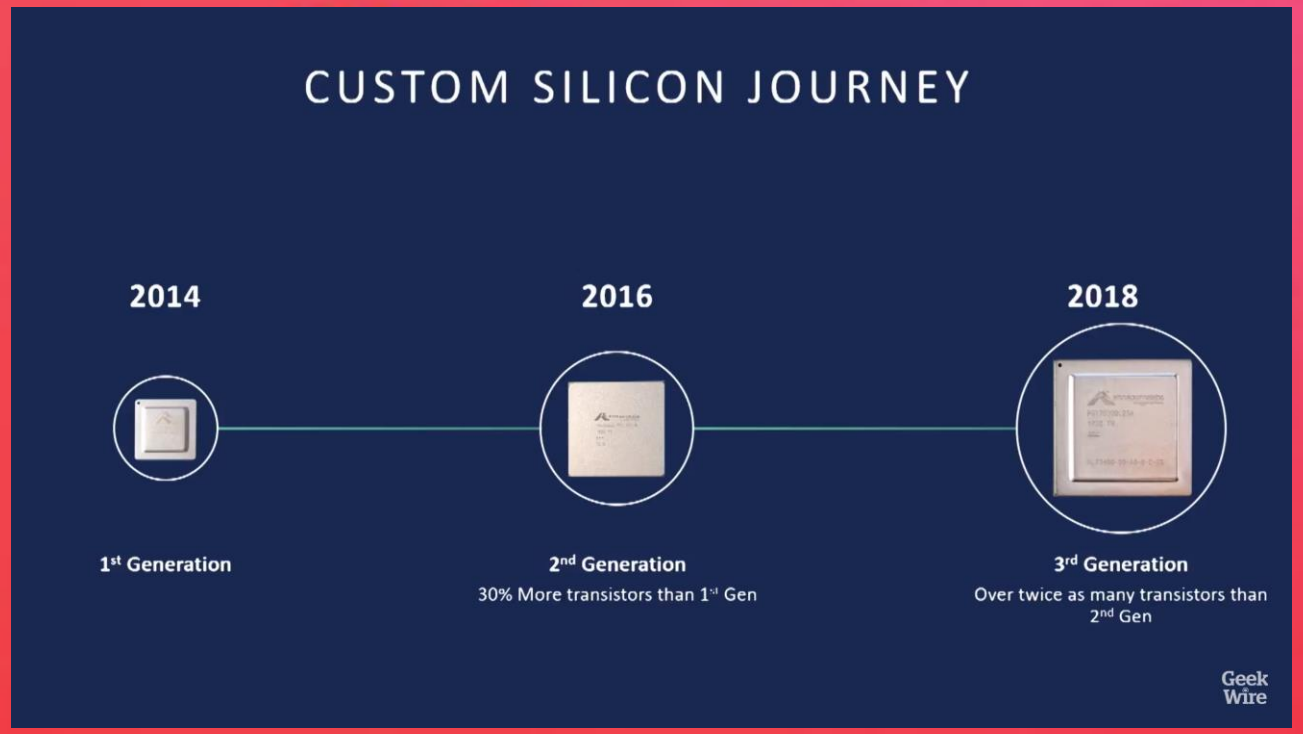
Amazon’s large-scale deployment of Arm-based servers

Instance Name	vCPUs	RAM	EBS Bandwidth	Network Bandwidth	On-Demand Price/Hour US East (N. Virginia)
a1.medium	1	2 GiB	Up to 3.5 Gbps	Up to 10 Gbps	$0.0255
a1.large	2	4 GiB	Up to 3.5 Gbps	Up to 10 Gbps	$0.0510
a1.xlarge	4	8 GiB	Up to 3.5 Gbps	Up to 10 Gbps	$0.1020
a1.2xlarge	8	16 GiB	Up to 3.5 Gbps	Up to 10 Gbps	$0.2040
a1.4xlarge	16	32 GiB	3.5 Gbps	Up to 10 Gbps	$0.4080

45%

cheaper than x86



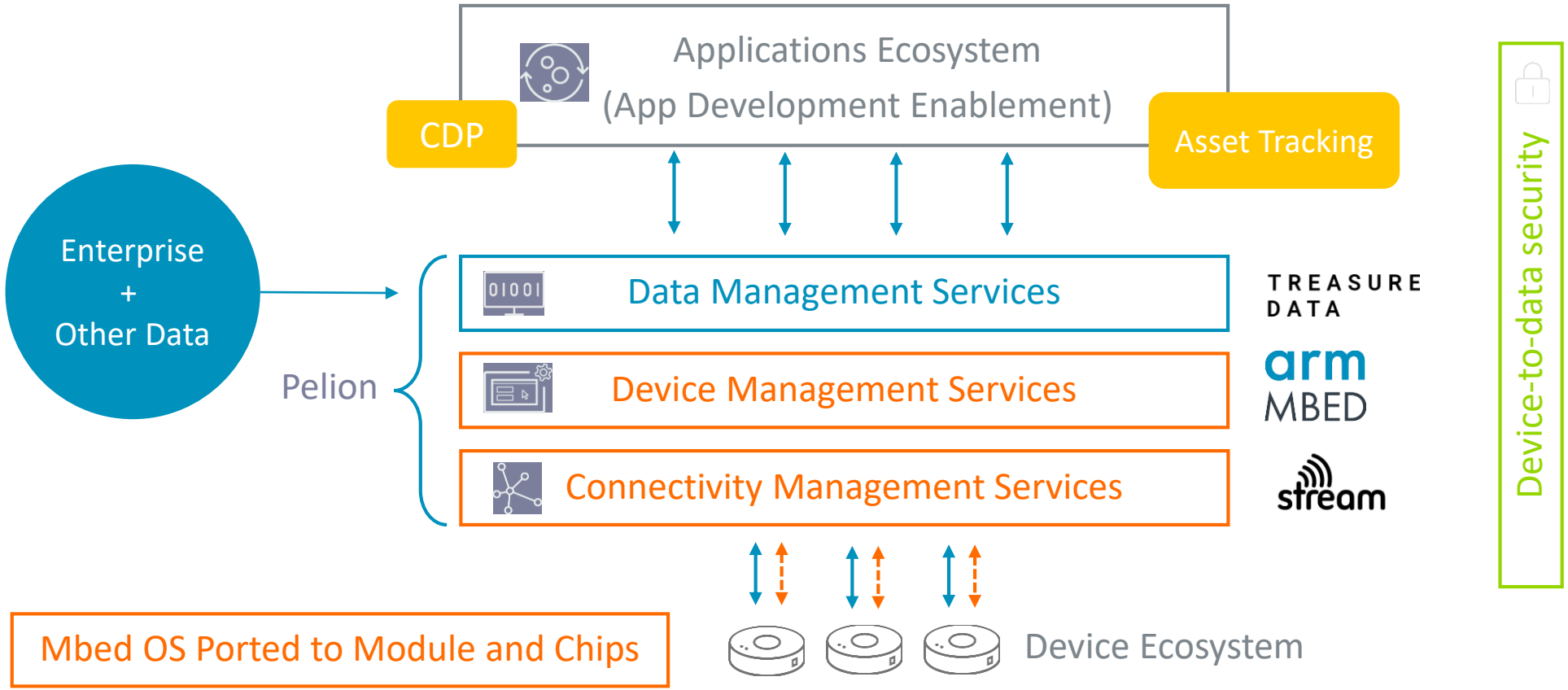
New business for
IoT SaaS

Arm Pelion IoT Platform

Data

Control

End-to-end services built on Arm IPG+ISG security framework



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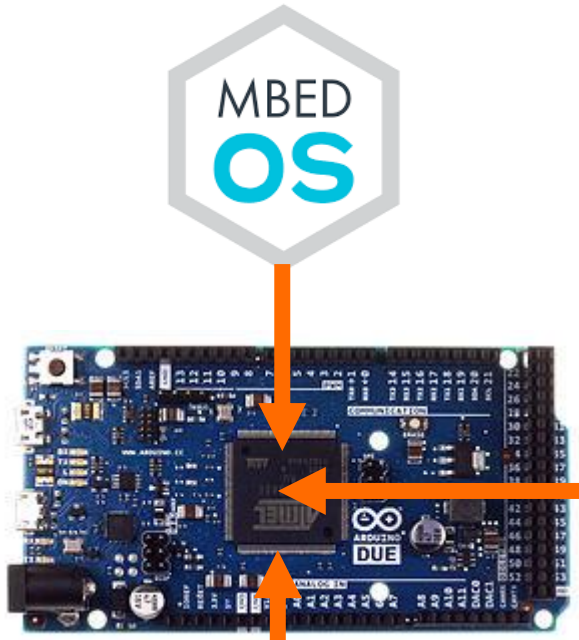
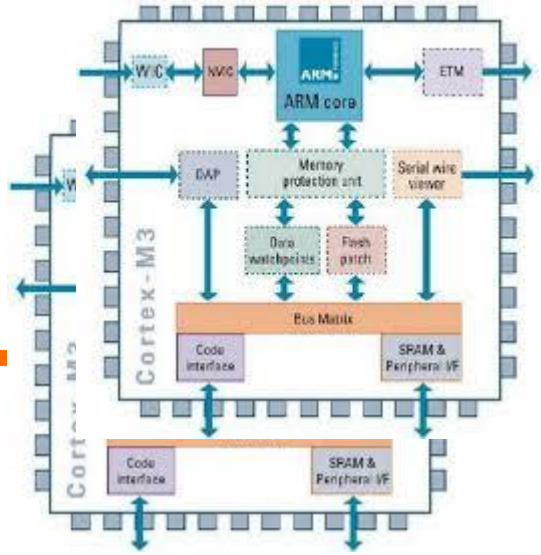
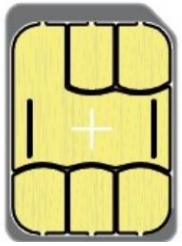
Example – How Arm could make money from IoT

Semiconductor technology





2x Arm Cortex-M3



Arm Integrated SIM technology
(Arm iSIM)

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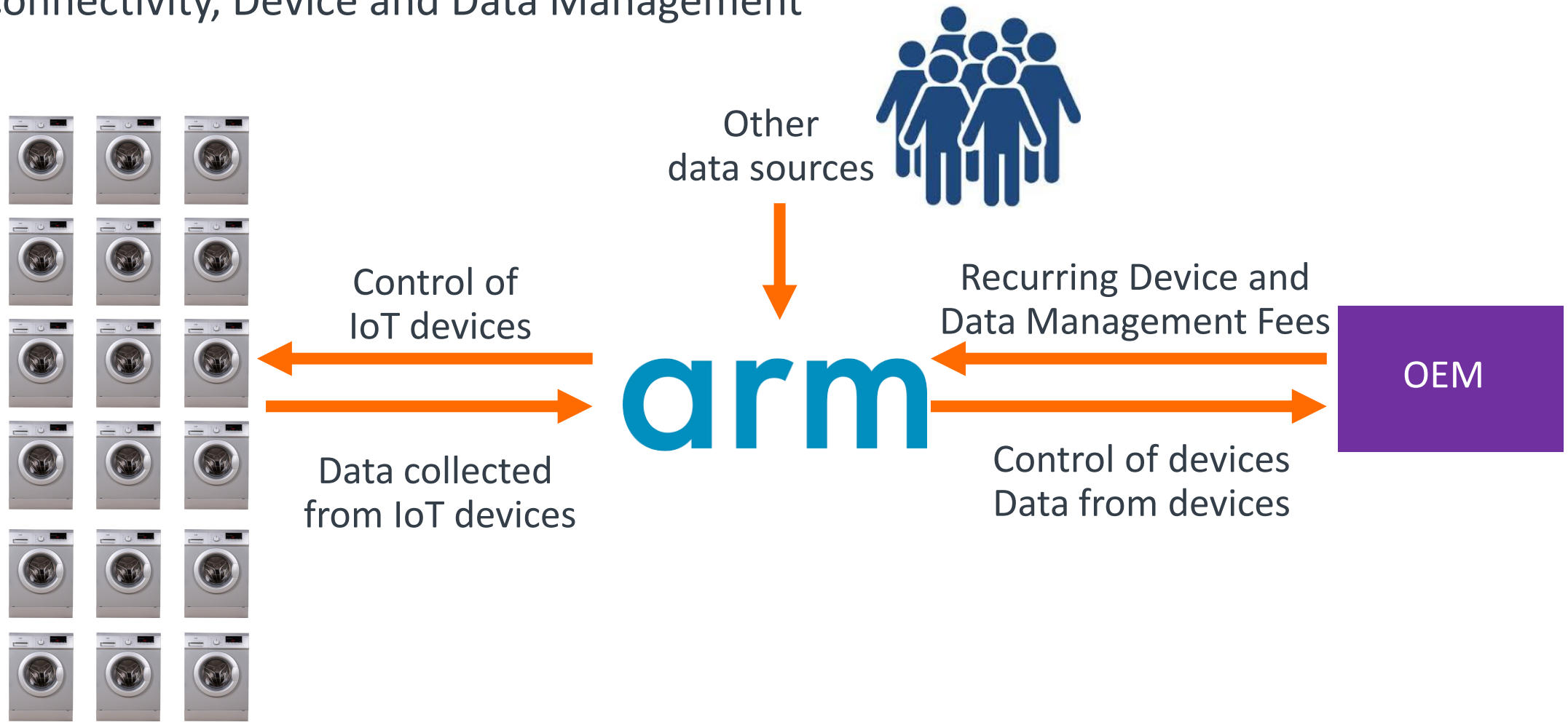
Example – How Arm could make money from IoT

Connectivity, Device and Data Management



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Arm IoT Services Group (ISG)

Secure and scalable innovation from Device to Data

- > 30 PB of customer data managed
- > 2 million records per second ingested
- > 300K queries per day
- 55 TB network data flow per month
- Smart grid technology partnership with KEPKO, the largest electric power utility in South Korea

800+
customers

140+
Ecosystem partners

350k+
Developers

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Conclusion

Arm is executing on its plan to reinvest all revenues back into the business

- Annual adjusted EBITDA margin expected to remain in 0-10% range

Increased investment has enabled Arm to develop

- Develop more technology products
- Develop more advanced and valuable technology
- Enter new markets with new technology

New revenues from new products expected to significantly accelerate Arm future growth

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