

arm

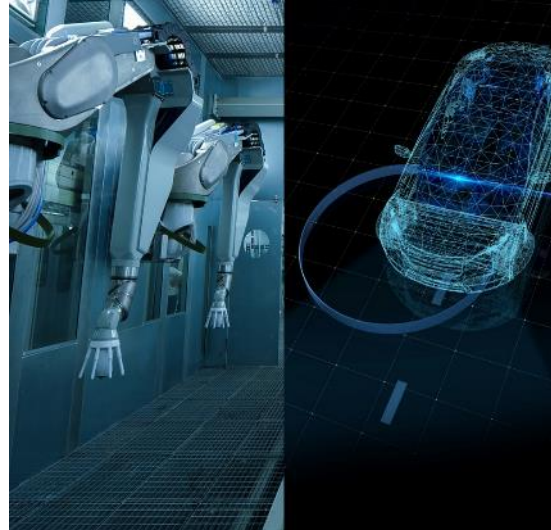


Arm Limited Q1 2019 Roadshow Slides

Technology trends that will redefine all industries



Artificial Intelligence in every device



Autonomous machines



Augmented reality



Hyperscale cloud and connectivity



Security and Privacy

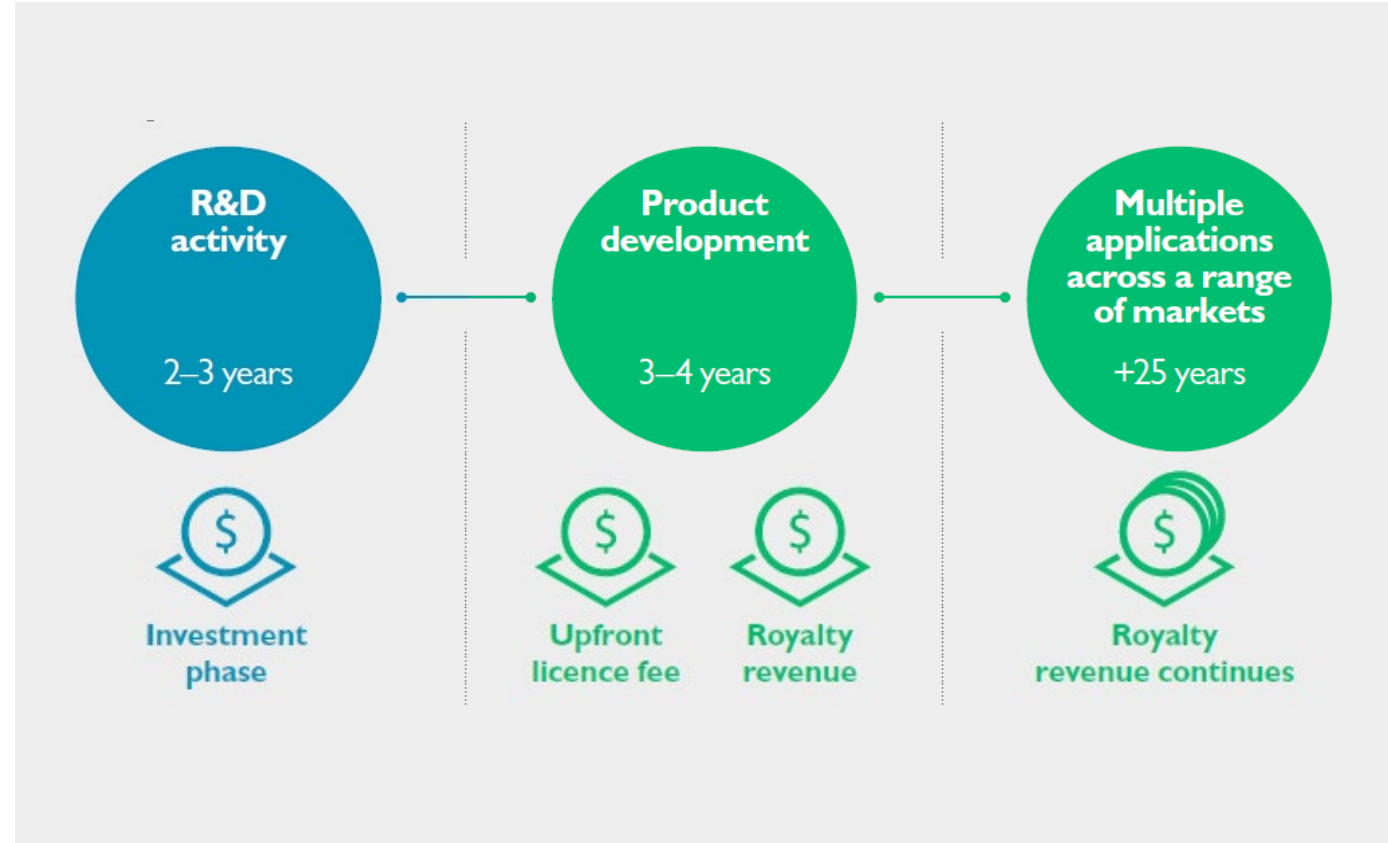
Arm defines the technology that will redefine all industries



	Mobile and Consumer	Networking and Servers	Automotive and Robotics	Internet of Things
Artificial Intelligence in every device	✓	✓	✓	✓
Autonomous machines			✓	✓
Augmented reality	✓		✓	
Hyperscale cloud and connectivity		✓		✓
Security and Privacy	✓	✓	✓	✓

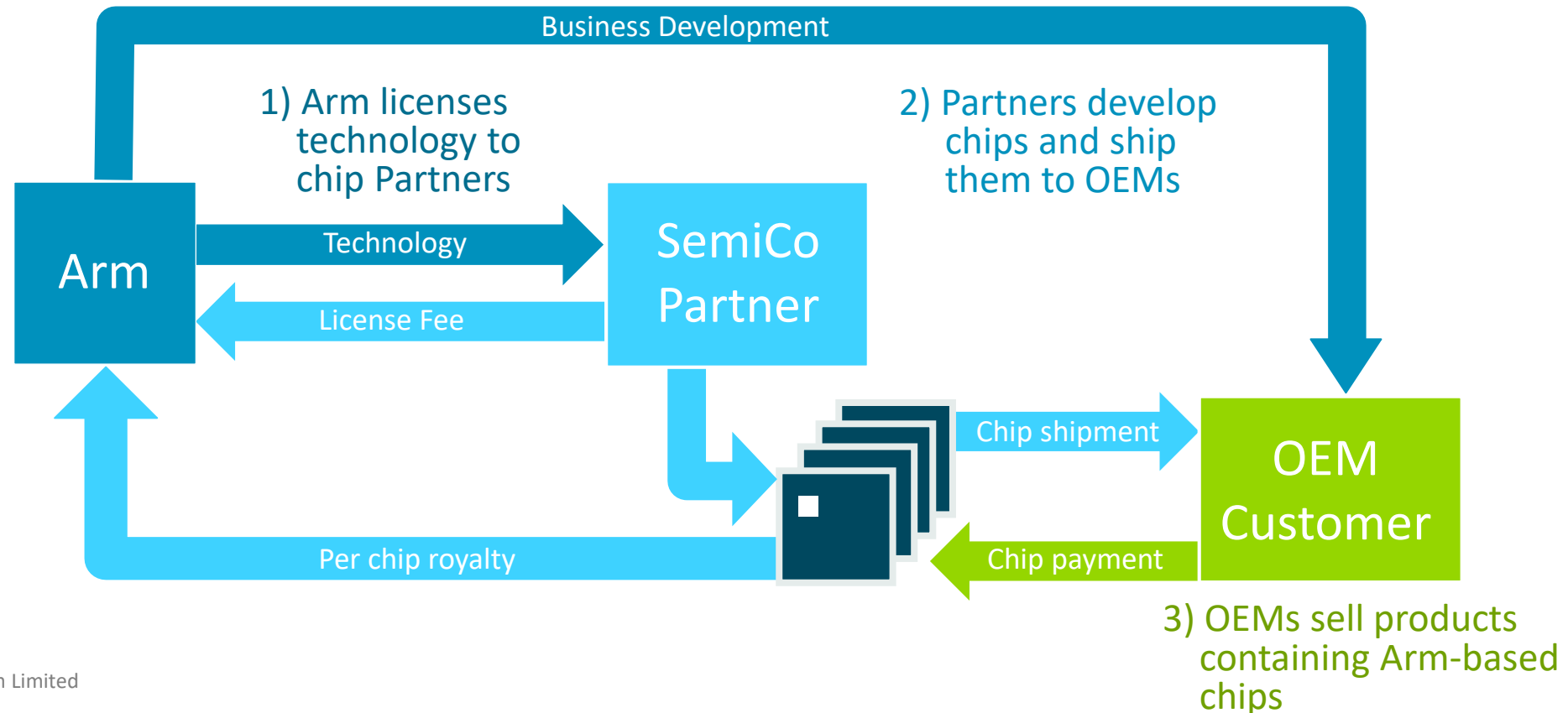
Arm introduction

- Global leader in technology licensing
 - R&D outsourcing for semiconductor companies
- Innovative business model
 - Upfront licence fee – flexible licensing models
 - Ongoing royalties on customer sales
 - Technology can be reused across multiple applications
- Long-term, secular growth markets



Arm's business model

- Arm develops technology that is licensed to semiconductor companies
- Arm receives an upfront license fee and a royalty on every chip that contains its technology



Arm's strategy

- Maintain or gain share in long-term growth markets
 - From mobile phones to networking infrastructure and servers to embedded smart devices and automotive
- Increase value of Arm technology per smart device
 - Invest in developing more advanced processors with higher royalty rates
 - Physical IP and multimedia IP further increase Arm's value per chip
- Explore and exploit new opportunities in emerging applications created by the Internet of Things
- Invest to create a sustainable business, fit for the long term
 - Create superior returns by developing new technology that will deliver increased profits and cash generation in the future



Arm's main growth markets

Mobile and Consumer Devices



\$108bn
TAM 2028

- Smartphones, tablets and laptops
- Apps processor, modem, connectivity, touchscreen and image sensors
- Growth coming from higher-value Arm technology such as Arm v8-A, more cores per chip, multimedia

Networking & Servers



\$48bn
TAM 2028

- Base stations, routers, switches, and servers for cloud and data centres
- Networks evolve to cope with increased data at lower latency: virtualisation, integration and programmability
- Most major chip vendors have announced Arm-based products

Embedded Markets



\$94bn
TAM 2028

- Automotive, white-goods, wearables, smart devices in industrial and utilities
- Microcontrollers, smartcards, embedded connectivity chips
- Over 300 companies have licenced Arm processors for use in embedded computing devices

History of Arm

Joint venture between
Acorn Computers and Apple



1990

Designed into first mobile
phones and then smartphones



1993 onwards

Now all electronic devices can
use smart Arm technology



Today

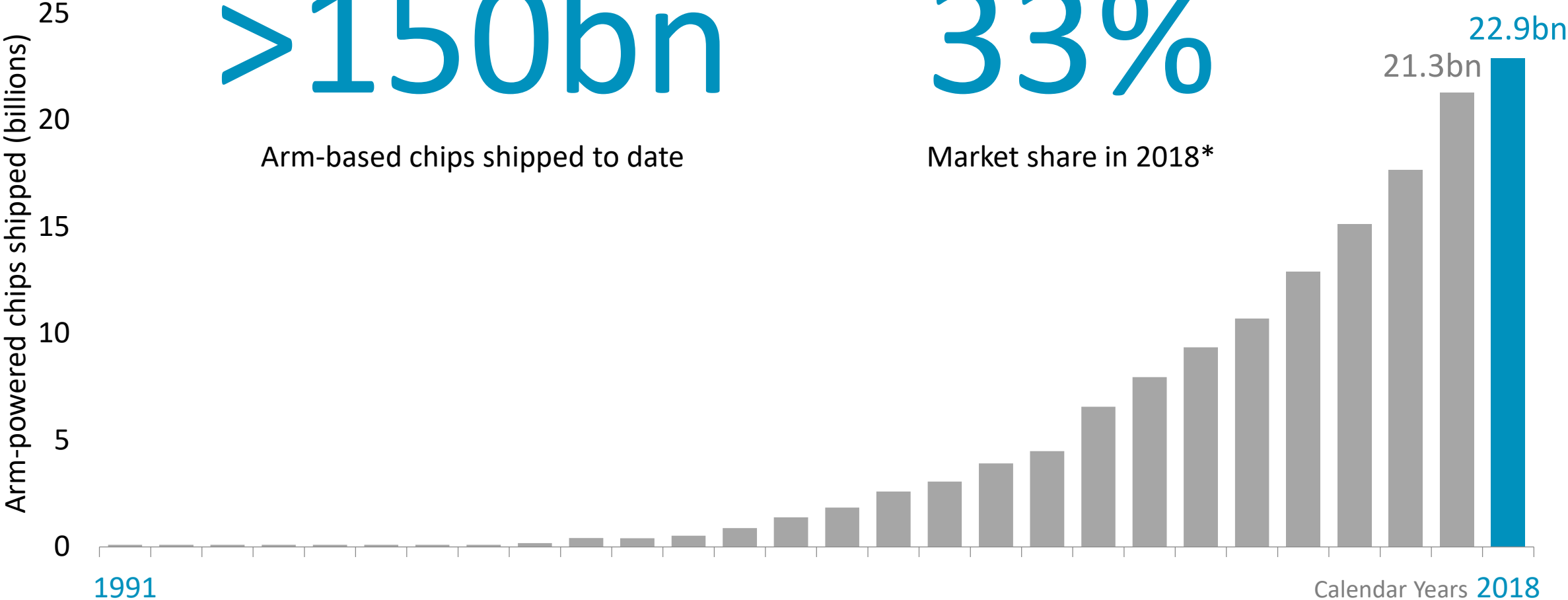
Arm-based chip shipments

>150bn

Arm-based chips shipped to date

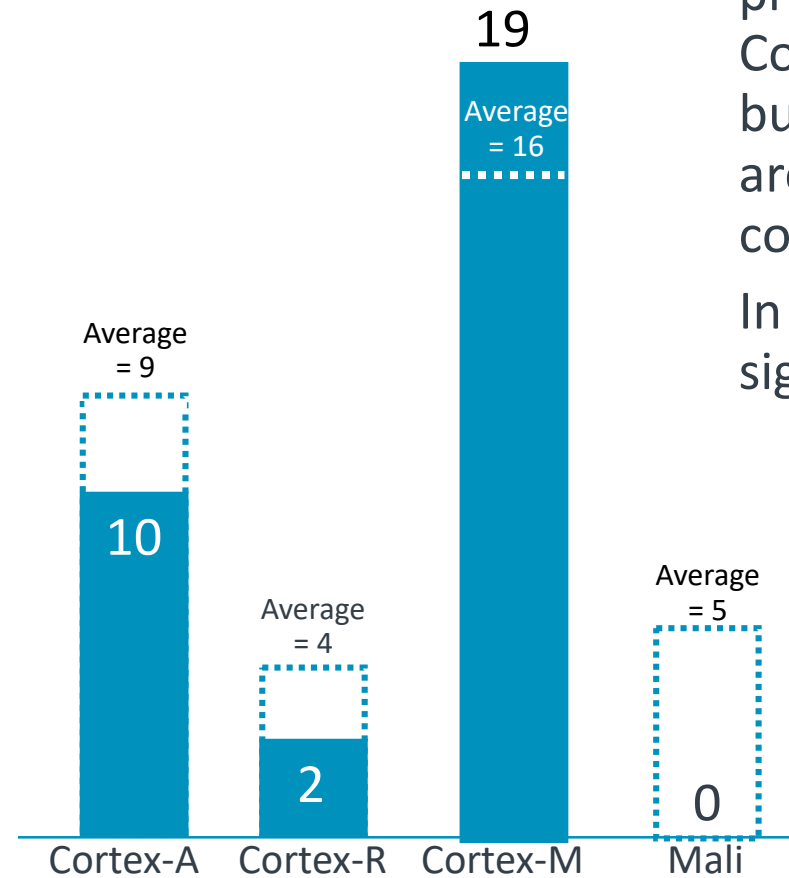
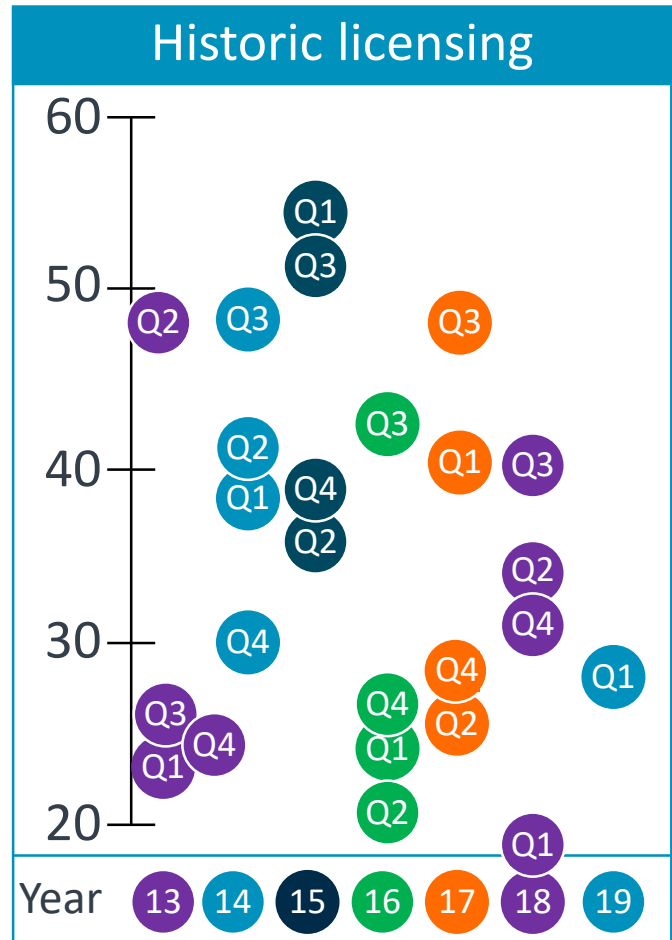
33%

Market share in 2018*



* Note that market share is lower than previously shown as market definition has been expanded

Q1 Licensing: 28 is within the normal range

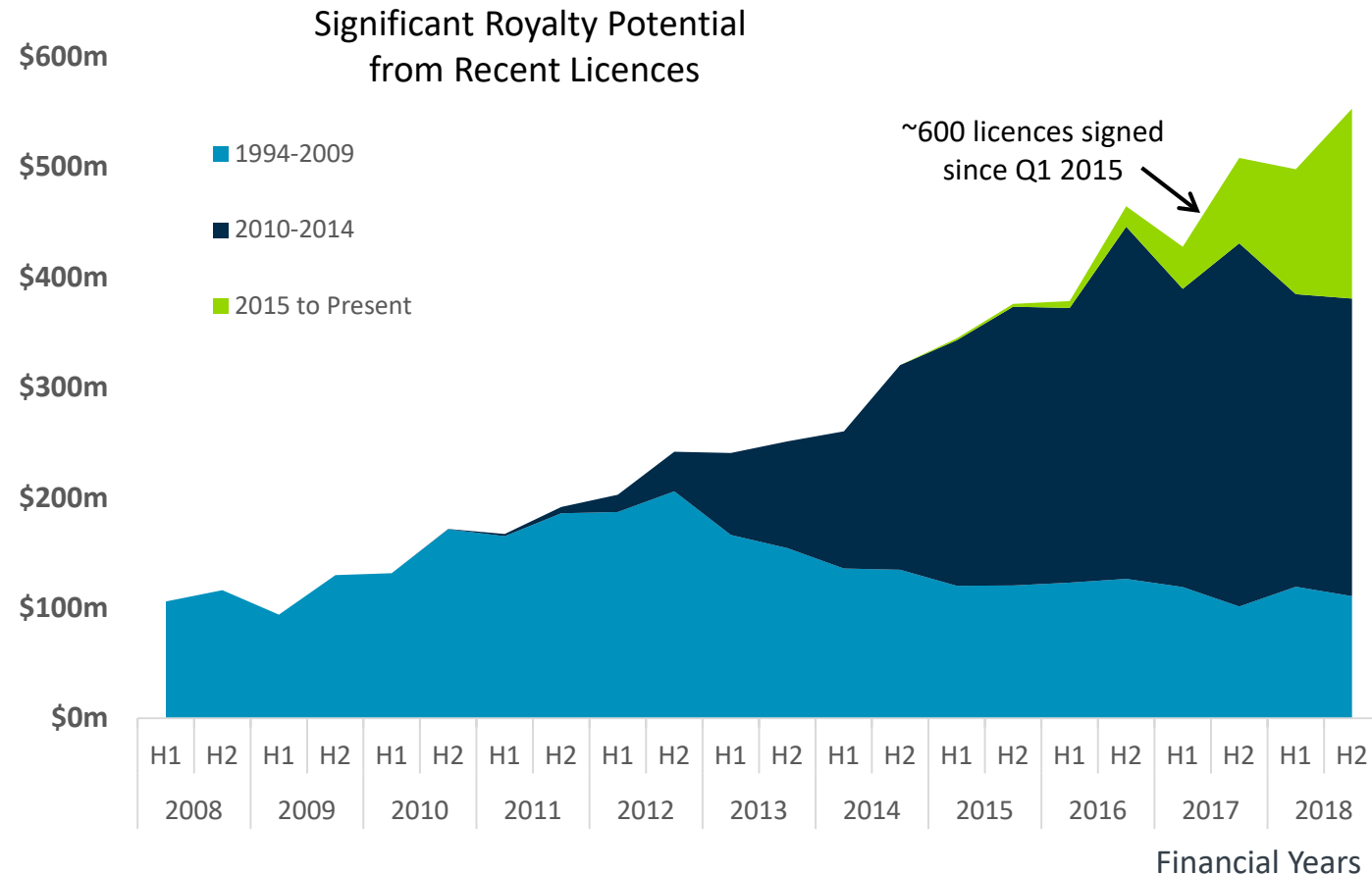
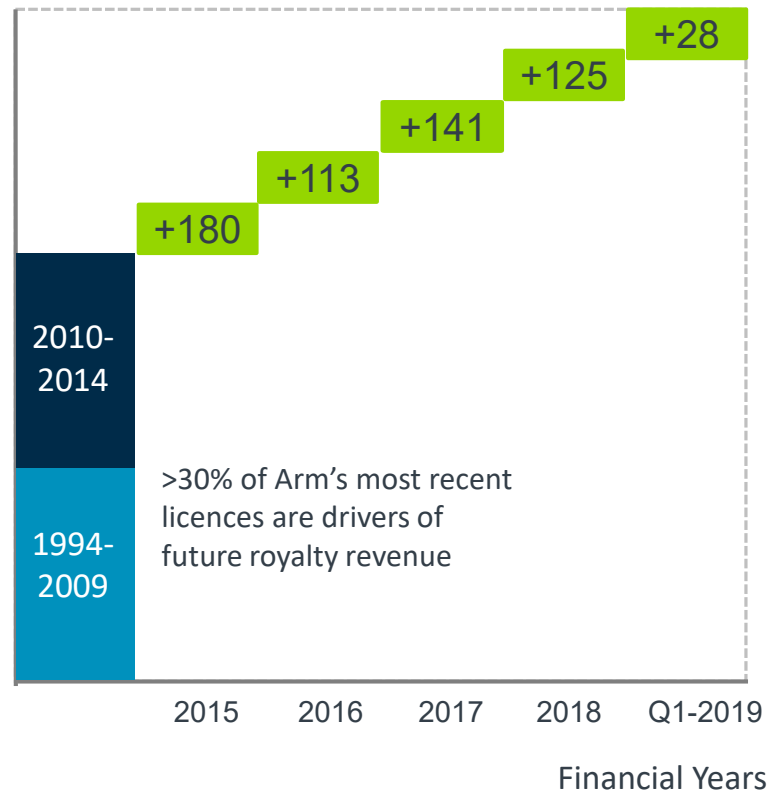


In June 2017, Arm introduced the DesignStart Pro (DS Pro) program which makes some Cortex-M processors available but for no upfront fee. These are not included in the licensing count.

In Q1, 31 DS pro licenses were signed for Cortex-M processors


Licensing enables future royalties

- Arm signed 28 processor licences in Q1 2019
- Arm's current royalty revenues are derived from licences signed many years ago
- Growing base yields royalty revenues over long period



Arm's expanding opportunity

- Mobile
 - Applications processor
 - Other mobile chips



Infrastructure

- Networking
- Data Center/Cloud



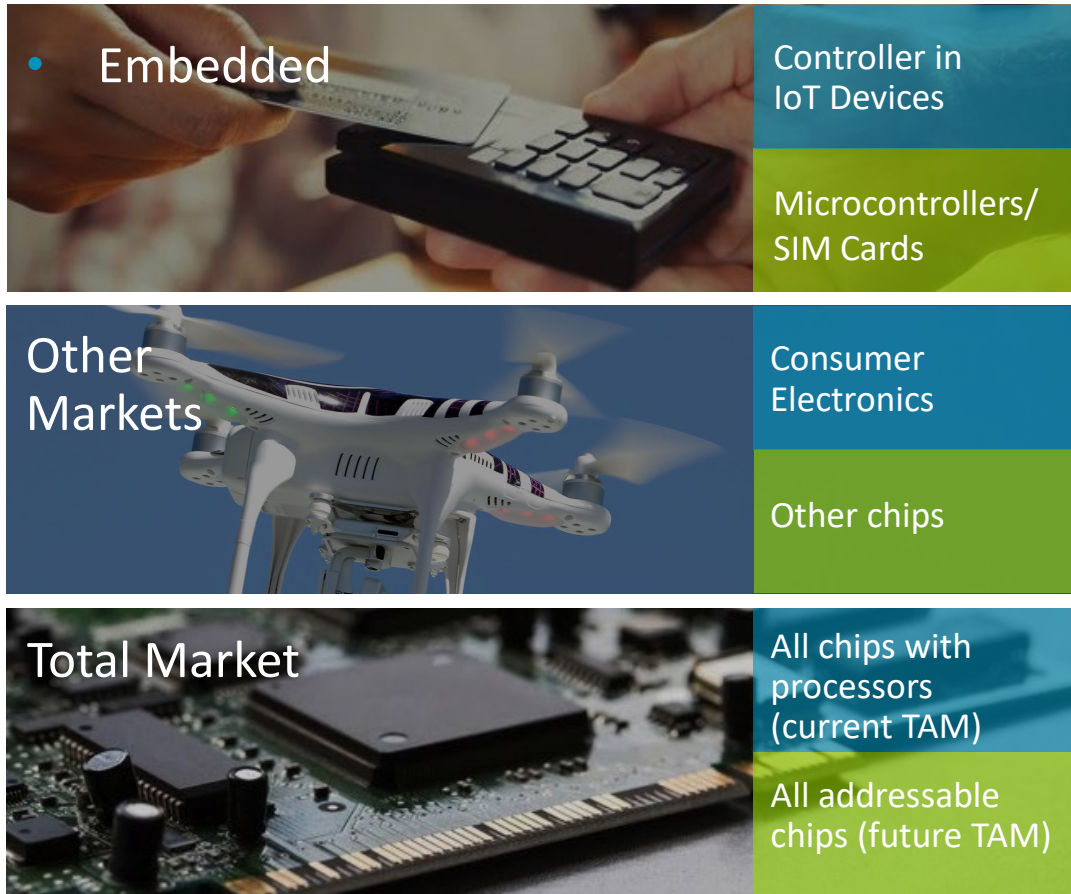
Automotive

- IVI and ADAS
- Other automotive chips



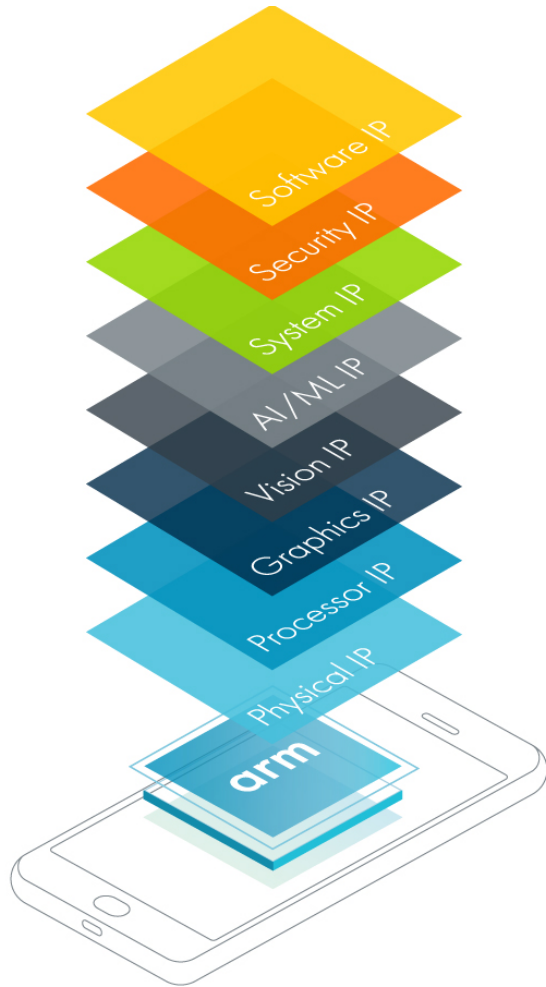
2018		2028
Market Share	Market Value	Market Value
90%	\$34bn	\$47bn
40%	\$18bn	\$23bn
30%	\$15bn	\$20bn
4%	\$20bn	\$28bn
75%	\$7bn	\$19bn
10%	\$5bn	\$12bn

Arm's expanding opportunity



2018		2028
Market Share	Market Value	Market Value
90%	\$7bn	\$20bn
25%	\$18bn	\$22bn
40%	\$12bn	\$37bn
35%	\$15bn	\$21bn
33%	\$150bn	\$250bn
25%	\$165bn	\$270bn

Arm's current business



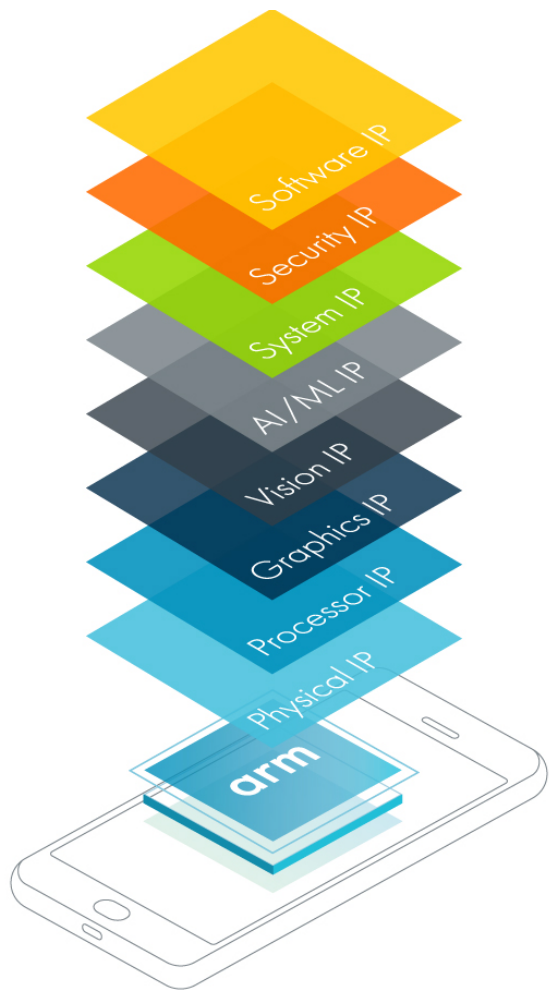
Arm primary business is the development of **intellectual property** (IP) blocks which are used in silicon chips

Our partners combine Arm IP with their own IP to create complete chip designs

We earn **license fees** when we deliver Arm IP to our partners and **royalties** when our partners ship chips that contain Arm IP

Highly **profitable and cash generative**

Accelerating investment to increase share gains



Generating profits and cash to be reinvested



Investing in new processor technology

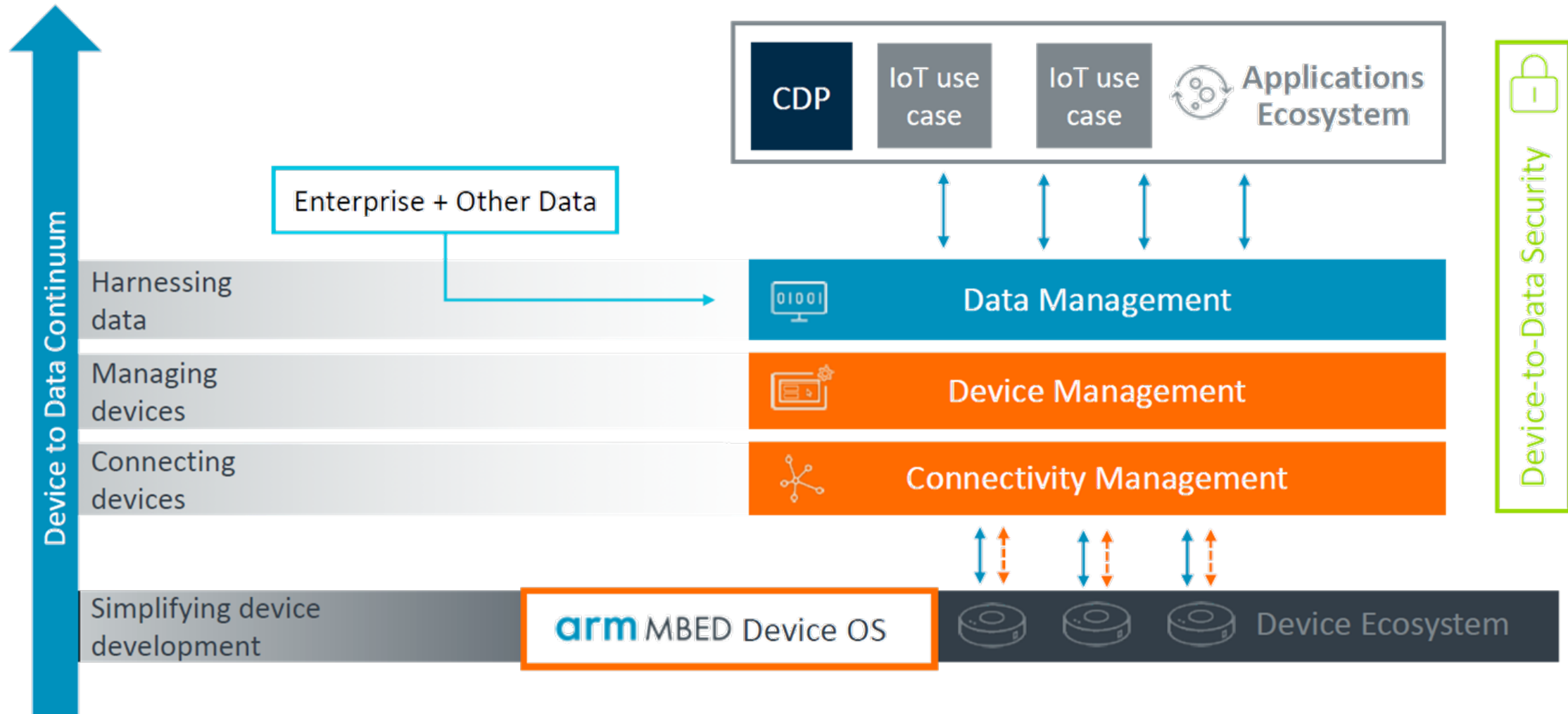
- Machine learning processors
- Computer vision
- Augmented reality
- Platform security

Investing in new IoT software and services

- Device Management
- Connectivity as a Service
- Data Management as a Service
- Pelion platform

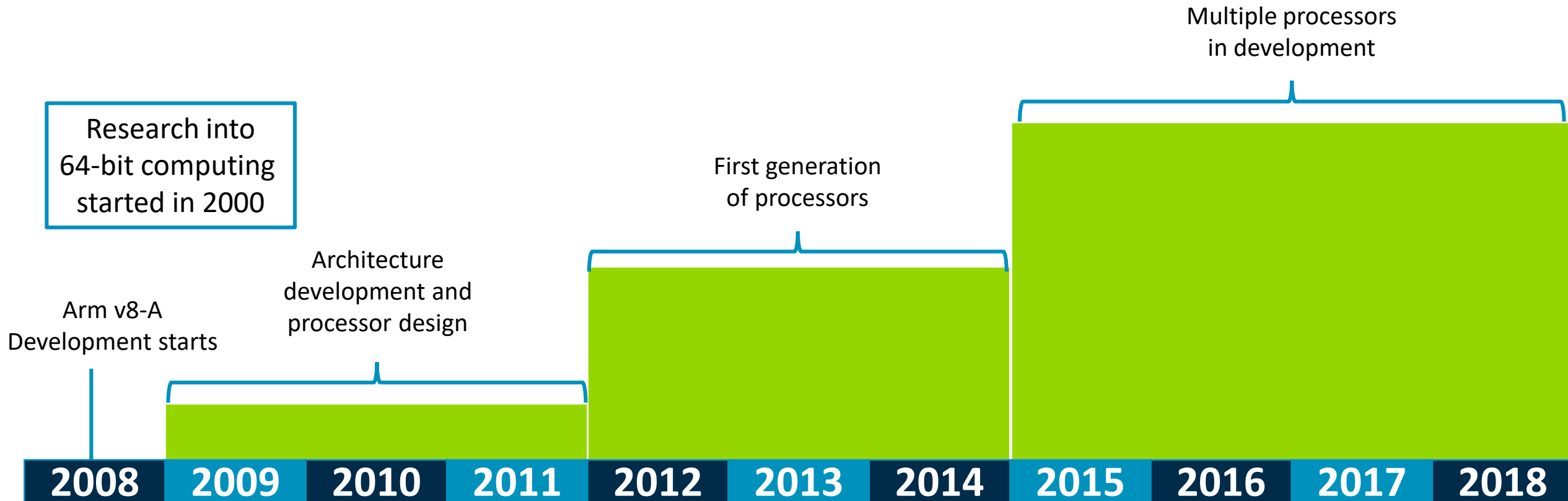
Pelion – Combining physical and digital insights

- Simplifying deployment and enabling scale



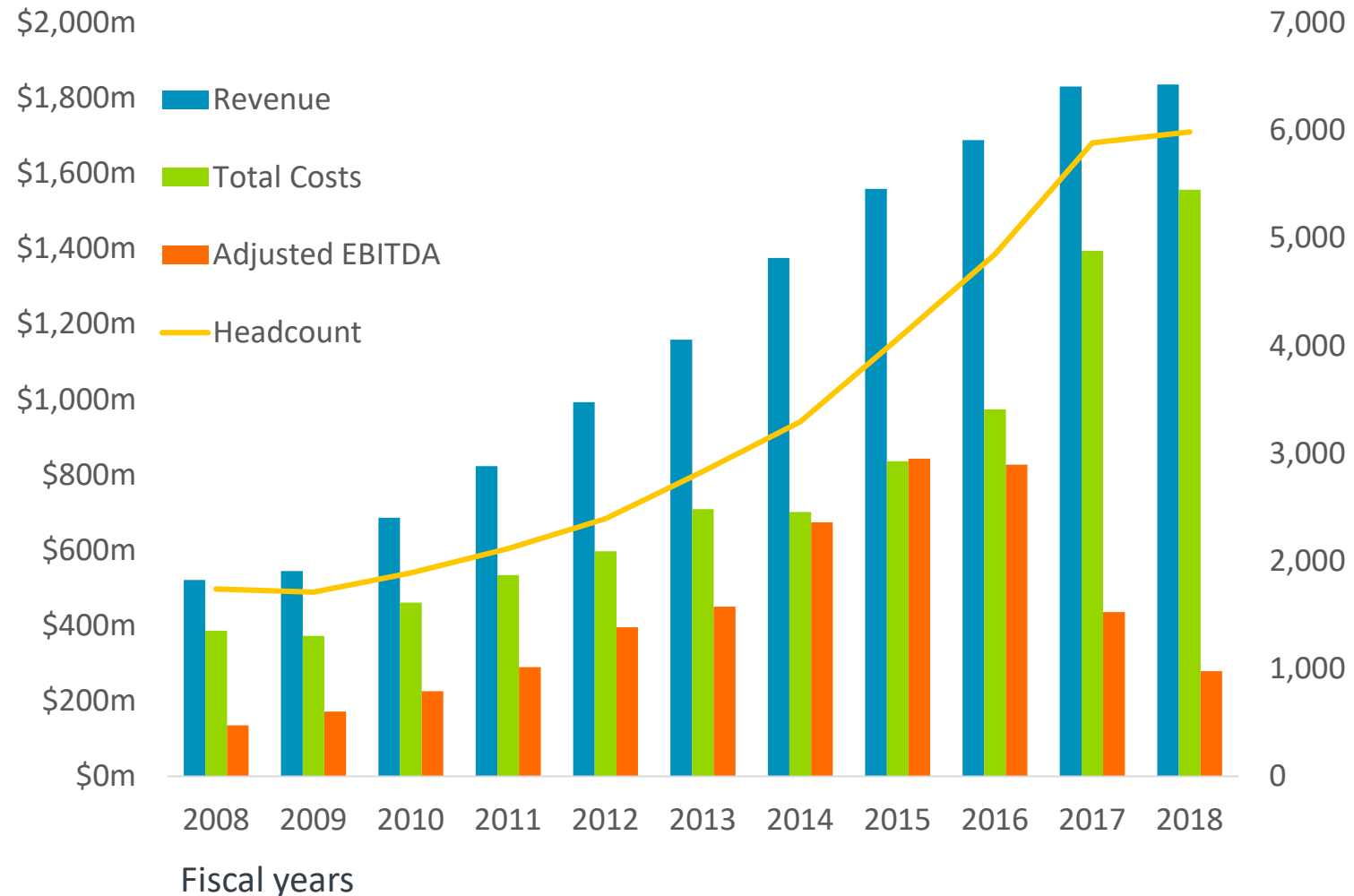
Return on Investments – Arm v8-A case study

- Arm incurs R&D costs many years before revenue starts



Revenues, investments and profits

- Investment strategy



- Until 2016 revenues grew faster than costs as Arm constrained investment in R&D to enable increasing profits
- For the current phase of investment Arm expects costs to grow faster than revenues
- This should yield even greater profits in the future
- Note: Headcount in 2018 excludes 341 employees transferred to Arm China Joint Venture in June. By the end of Fiscal 2018, Arm China had 439 employees

Arm Investor Relations Contact

Contact	Title	Contact
Ian Thornton	Head of Investor Relations	+44 1223 400796 ian.thornton@arm.com

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- Arm's website: arm.com/ir
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