



ARM Holdings plc Q3 2013 Results

22 October 2013

London



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- More information about potential factors that could affect ARM’s business and financial results is included in ARM’s Annual Report on Form 20-F for the fiscal year ended December 31, 2012 including (without limitation) under the captions, “Risk Factors” and “Operating and Financial Review and Prospects,” which is on file with the Securities and Exchange Commission (the “SEC”) and available at the SEC’s website at www.sec.gov.

Business Update

Simon Segars
Chief Executive Officer



Q3 2013 Highlights

- Major semiconductor companies continue to invest in ARM technology
- ARM continues to outperform the semiconductor industry
- Licensing and royalty growth driving 26% YoY revenue growth
- ARM continues to invest whilst delivering profits and record cash

48 processor licenses signed

4 large deals signed with thought leading technology companies, including MediaTek

5 Mali graphics licenses

4 POPs

16 percentage point YoY royalty outperformance

38% YoY normalised EPS growth

Q3 2013 – Revenue Summary (\$)

	Q3 2013 \$m	Q3 2012 \$m	
PD			
Licensing	106.2	69.7	52%
Royalties	122.0	106.8	14%
PD Total	228.2	176.5	29%
PIPD			
Licensing	16.9	13.6	24%
Royalties	15.1	14.3	6%
PIPD Total	32.0	27.9	15%
Development Systems	12.1	12.1	0%
Services	14.4	11.3	27%
Total Revenue	286.7	227.9	26%

Q3 2013 – Revenue Summary (£)

	Q3 2013 £m	Q3 2012 £m	
PD			
Licensing	68.0	44.3	54%
Royalties	78.7	67.8	16%
PD Total	146.7	112.1	31%
PIPD			
Licensing	10.6	8.6	23%
Royalties	9.7	9.1	7%
PIPD Total	20.3	17.7	15%
Development Systems	7.8	7.6	2%
Services	9.2	7.2	28%
Total Revenue	184.0	144.6	27%

Technology Licensing

- Q3 licensing up 52% YoY
- Order backlog up 3% QoQ
- Technology Licensing
 - 48 processor licenses
 - Another Partner enabled with big.LITTLE
 - 15 Cortex-A licenses
 - 18 Cortex-M licenses
 - 5 Mali licenses
 - 4 POP IP licenses

Q3 licensing driven by:

New Technology

3 new Cortex-A50 series processors signed

New Markets

7 licenses signed for enterprise networking

New Customers

11 new customers signed

New Opportunities Driving Licensing

Cumulative licenses
(Q3 2013 licensing shown in parentheses*)

Estimated Royalty Opportunity for 2017

Cortex-A Family
158 (+15)

Mali Graphics
85 (+5)



Mobile computing, digital TVs
Servers, networking and embedded computers

Application Processors
4bn units per year

Cortex-R Family
41 (+4)



Networking equipment
Mobile broadband (basestation and modem)

Real-time Embedded
14bn units per year

Cortex-M Family
196 (+18)



Internet of Things: personal GPS, medical
Microcontrollers, automotive, storage

Micro-controllers
23bn units per year

Classic Processors: 533 (+5), Architecture: 15, Subscription: 12 (+1)

*Note: Licensing numbers adjusted for licenses that are no longer expected to generate royalties.

Licensing Increases Market Opportunity

ARM gains share by winning designs at leading semiconductor companies

Application	Penetration of Key Companies' Products	2012 Share
Smartphone – Apps	●●●●●●●●	>95%
Mobile Computer – Apps*	●●●●●●●●	40%
Mobile – Modems	●●●●●●●●	>95%
Mobile – BT & WiFi**	●●●●●●●●	75%
Digital TV / Set-Top-Box	●●●●●●●●	45%
Home Networking	●●●●●●●●	50%
Enterprise Networking	●●●●●●●●	<3%
Printers***	●●●●●●●●	70%
Disk Drives (HDD & SSD)	●●●●●●●●	90%
Automotive	●●●●●●●●	8%
Smart Card	●●●●●●●●	15%
Microcontrollers	●●●●●●●●	18%
3D Graphics****	●●●●●●●●	13%

- Shipping mainly ARM-based chips
- Shipping some ARM-based chips
- Public ARM design wins, but not yet shipping
- No ARM design win or not yet public

Movement from 2011 to 2012

- → ● 1 company
- → ● 1 company
- → ● 1 company
- → ● 5 companies
- → ● 4 companies

Movement in YTD 2013

- → ● 5 companies reequipped
- → ● 1 company reequipped
- → ● 1 new licensee

Based on current market shares and ARM's view of how these markets may develop. ARM will update the chart on the left only as design wins become public

* Includes handheld computers, tablets, and laptops

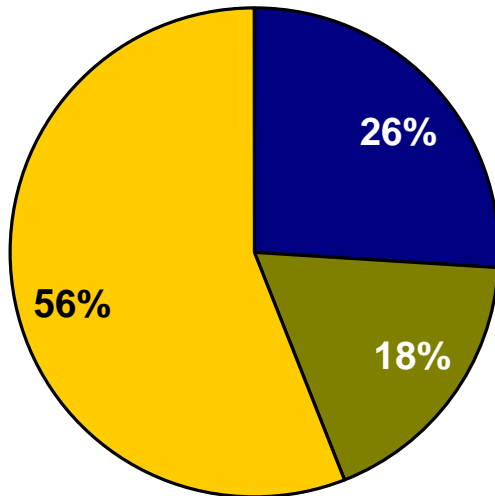
** Includes standalone WiFi and BT chips and BT-WiFi combo chips

***Based on OEM market share rather than semiconductor vendor

****Includes all smartphones, mobile computing and DTV devices, including those that don't currently contain a GPU

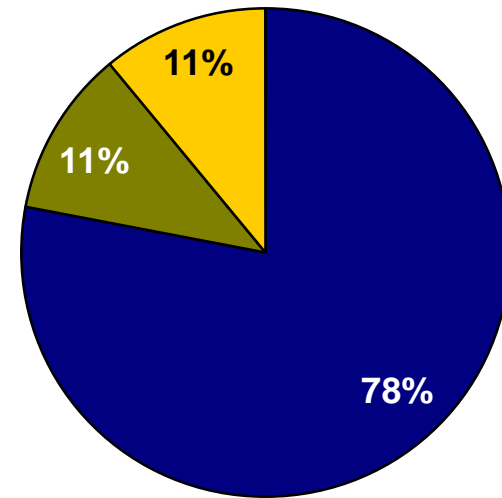
Backlog Analysis – End Q3 2013

Backlog by Maturity Profile



■ Q413/Q114 ■ Q214/Q314 ■ Q414+

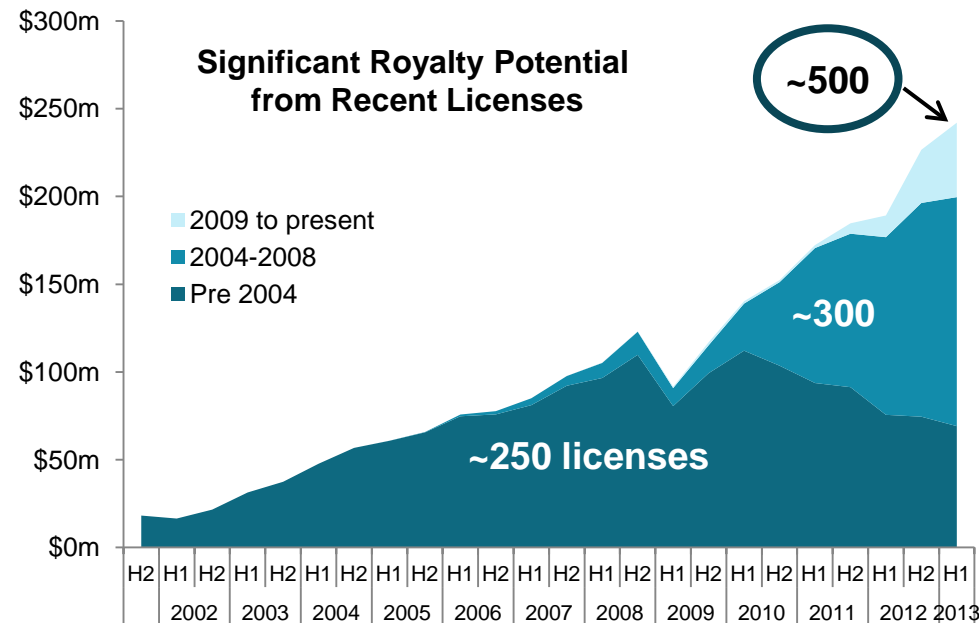
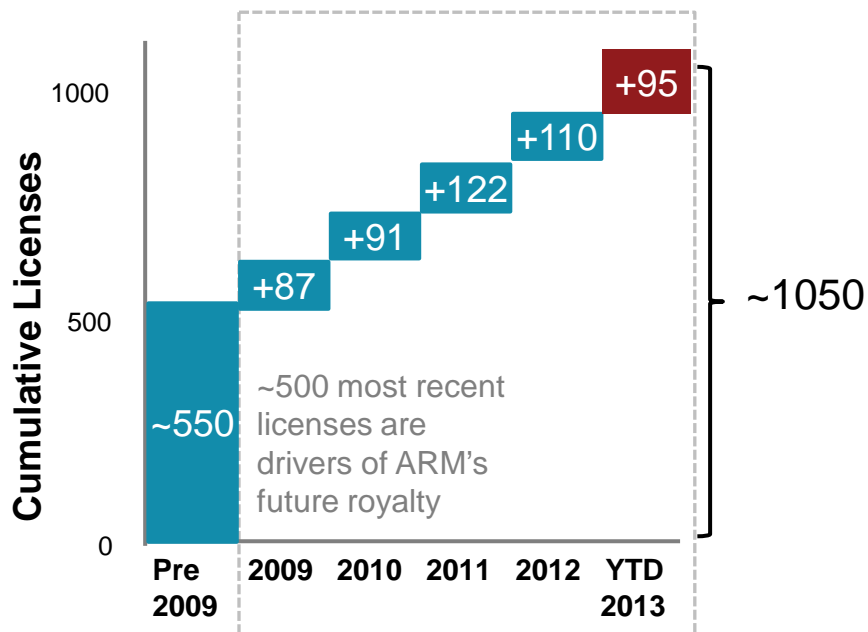
Backlog Composition



■ Processors
■ Physical IP
■ Support, Maintenance & Other

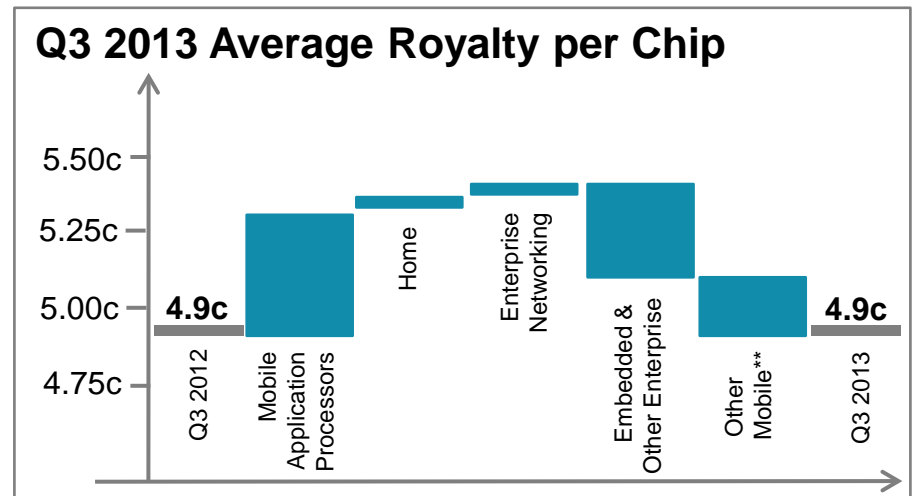
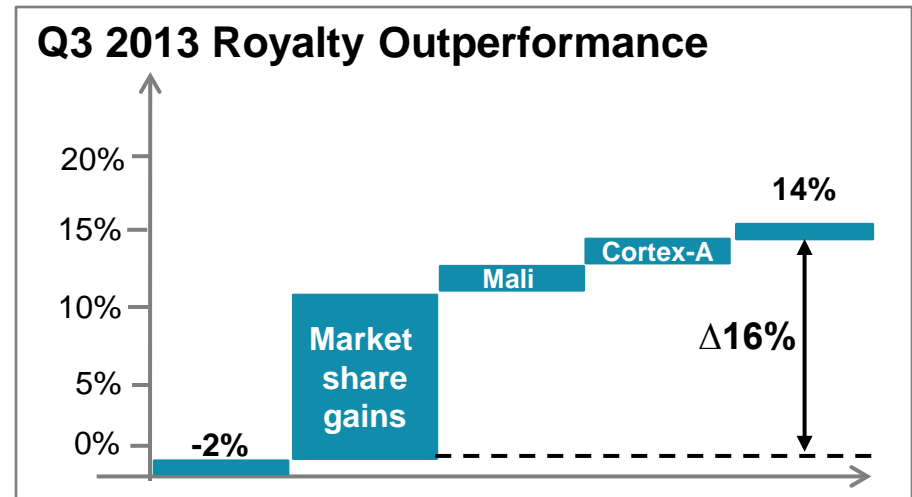
Licensing Drives Future Royalties

- Licensing base grows by 48 in Q3 2013
- ARM's current royalty revenues are derived from licenses signed many years ago
- Growing base yields royalty revenues over long period



Processor Royalty Revenue

- Q3 royalty revenues \$122m
 - ARM royalties up 14% YoY, industry down 2% YoY
 - 2x increase in Cortex-A and Mali units
- 2.5 billion units in Q3
 - Up 14% YoY, industry down -1%
- Average royalty per chip flat year-on-year



*Source: SIA October 2013, excludes memory and analog
Industry data offset one quarter to align with ARM's royalty revenue

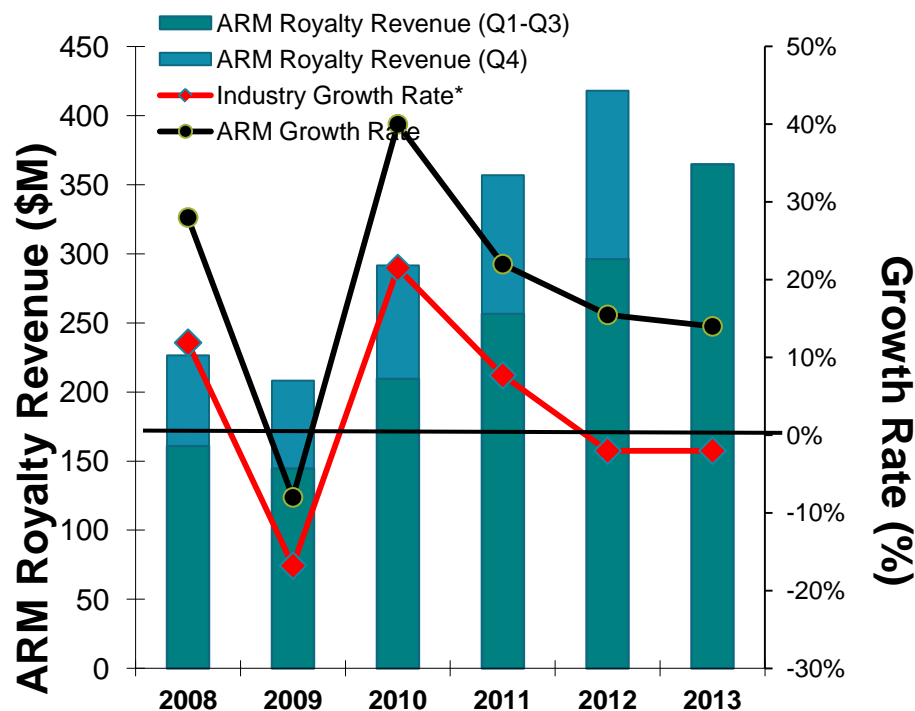
** Other Mobile: includes touchscreen controllers, connectivity chips and other low cost chips for mobile

ARM Continues to Gain Market Share

- 2.5 billion units in Q3, up 14% YoY, industry down -1%
- Increasing ARM content per smart device
 - ARM-based mobile chips up 8% YoY, twice the rate of handset devices
 - ARM-based DTV & STB chips up 13% YoY, DTV devices up 4%
- Continued market share gains
 - ARM-based MCUs up 20% YoY, industry down 10%
 - ARM-based enterprise networking equipment up 150% YoY, industry down 15%

Q3 2013: ARM Outperforms Industry

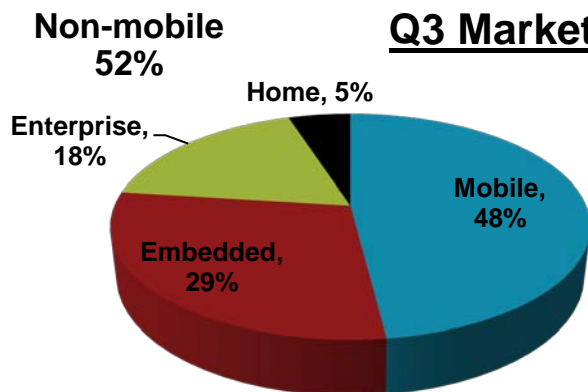
- Q3 2013 royalty revenue up 14% YoY
- Industry down 2% over the relevant period †



ARM \$ Royalty CAGR (08-12) = 17%
Industry \$ Revenue CAGR (08-12) = 1%

† Source: SIA October 2013, excludes memory and analog
 * Industry data offset 1 quarter to align with ARM's royalty revenue

Q3 Market Analysis



Physical IP Benefits Processors

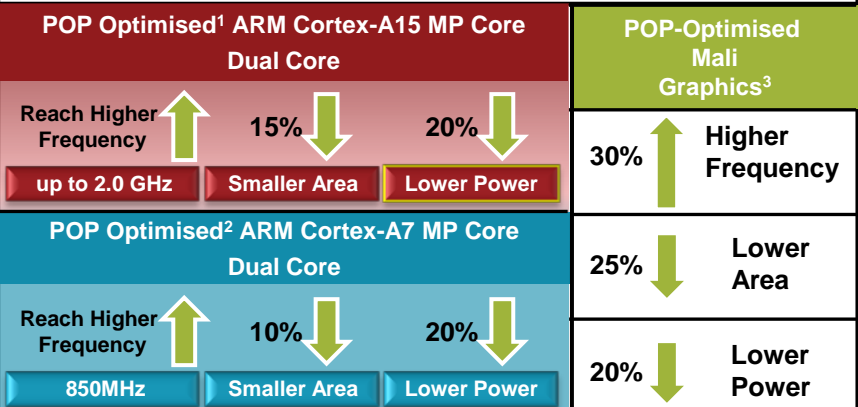
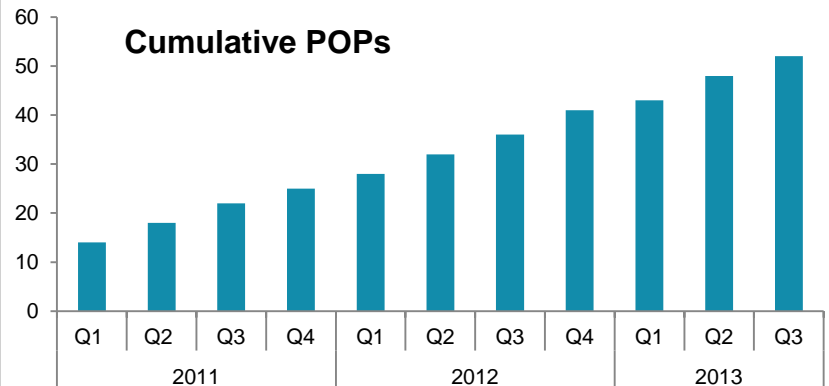
Platform Licenses

- Physical IP enables the optimized implementation of SoC designs
- 100** royalty-bearing platform licenses signed to date
- Shipments from 32nm and below now make up nearly a third of royalties
- PIPD royalty matches the industry
 - 2013 YTD PIPD royalty: +22% YoY
 - Foundry Industry*: +22% YoY

Foundry	32/28nm Bulk CMOS	20nm Bulk CMOS	16/14nm FinFET
	✓	✓	✓
	✓	✓	✓
	✓	✓	✓
	✓	N/A	N/A

POP IP

- Optimised physical IP for improved processor/graphics implementation
- 4 more POPs in Q3



*Gartner 2Q13, Relevant shipment period offset one quarter to align with ARM

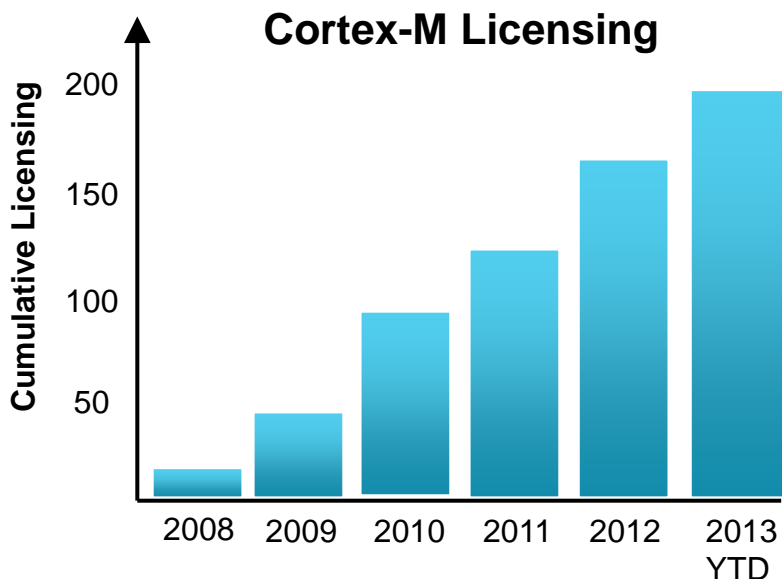
1/. TSMC 28HPM, Typical Silicon 85C, Overdrive

2/. TSMC 28HPM, Slow Silicon, 0C, Worst case Vdd

3/. TSMC 28HPM Mali T600 Series

ARM in the Internet-of-Things

- Controllers, connectivity and sensors are key components of IoT nodes
- 200 Cortex-M licenses signed to date, mainly for controller and connectivity applications
- 18 new Cortex-M licenses in Q3



ARM already the architecture of choice for MCUs and connectivity

90bn

Analog chips in 2012*
zero to low market share

Sensor nodes increasingly becoming integrated with MCUs and radios

>5bn

cumulative ARM MCU shipments

>7.5bn

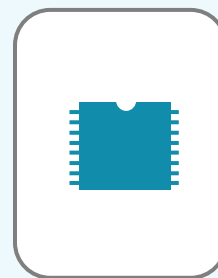
Cumulative ARM connectivity chips

18%

2012 market share

~75%

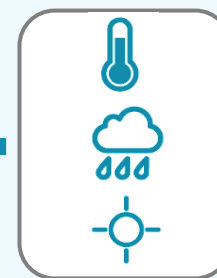
2012 market share



MCUs



radios



sensors



* SIA, 2012

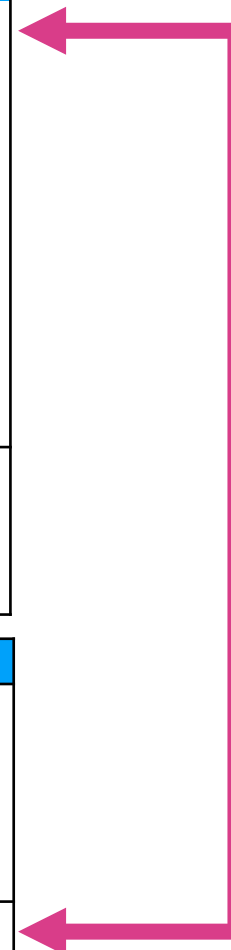
Summary Balance Sheet

IFRS	30 Sep 13 £MM	31 Dec 12 £MM
Assets		
Cash (net of accrued interest)	670.5	520.2
Accounts receivable (including AROC)	113.1	124.5
Other assets, inventory and investments	133.0	151.7
Available-for-sale financial assets - current	62.0	-
Prepayment (advance contribution to consortium)	-	103.7
Property and equipment	35.5	36.1
Goodwill	527.8	519.4
Other intangibles	69.5	11.2
Total assets	1,611.4	1,466.8
Liabilities & shareholders' equity		
Deferred revenue	183.9	150.6
Other creditors	95.7	110.1
Shareholders' equity	1,331.8	1,206.1
Total liabilities & shareholders' equity	1,611.4	1,466.8

Cash Flow Summary

£MM	Q3 13	9M 13
Operating activities	76.9	244.6
Interest received, net	3.6	10.7
Tax	(6.7)	(15.9)
Capital and other intangible expenditure	(6.2)	(35.4)
Investments and acquisitions (net of disposals)	(8.4)	(16.0)
Dividends	-	(39.5)
Share options	0.9	3.7
Other (forex)	(2.7)	(1.9)
Cash flow	57.4	150.3
Opening cash (net of accrued interest)	613.1	520.2
Closing cash (net of accrued interest)	670.5	670.5

Profit before tax (normalised)	92.6	268.6
Interest income, depreciation and amortisation	(1.6)	1.1
Cash flows from items excluded from normalised profits	(46.7)	(64.6)
Movements in working capital	32.6	39.5
Operating activities	76.9	244.6



Summary

- License revenues driven by increase in new product development and leading companies making long-term commitments to ARM technology
- Shipments of ARM-based chips continue to outperform the industry as new chip designs come to market
- Mali and physical IP generate additional royalty revenue per chip
- ARM is investing in new technology whilst increasing revenues, profits and cash



The poster features a dark blue background with a network of glowing lines in various colors (red, yellow, green, blue) forming a complex geometric pattern. The ARM logo is in the top left, followed by the event title and dates. The text is white and light blue, providing clear information about the event's location, date, and key themes.

ARM
2013 TechCon™
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OCTOBER 29-31, 2013
Santa Clara Convention Center | Santa Clara, CA

ARM TechCon 2013: Investor Event
Wednesday 30th October 2013

- Investor meetings with ARM and Partnership
- Five Q&A sessions with ARM's Exec and Marketing Team, supported by management from key ARM partners
- View the exhibition and ARM's latest technology

Key themes for 2013:
Entry-level Smart Devices
big.LITTLE
ARM-based Servers
ARM in Security

Contact: Angela Callahan @ GS: angela.callahan@gs.com

Save the Date