



ARM Holdings plc Q3 2011 Results

25 October 2011

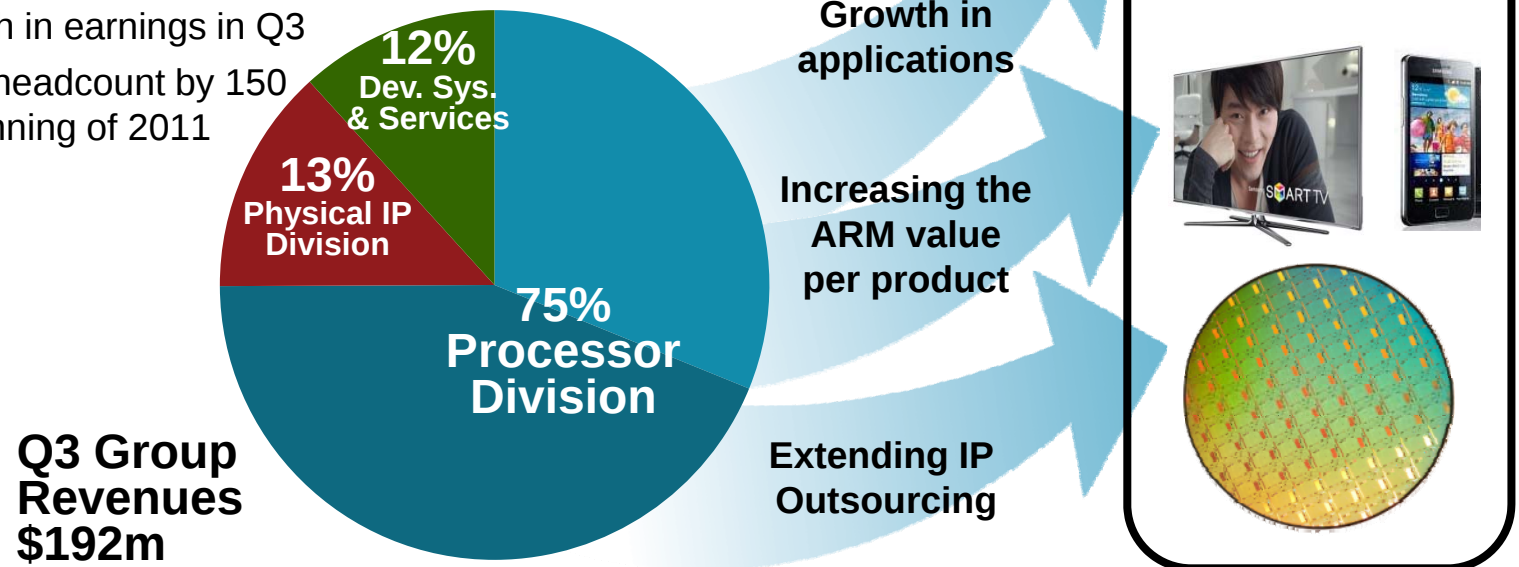


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Q3 2011 Highlights

- High levels of design activity, across broad range of end markets
 - Existing customers deploying ARM processors into new product areas
 - Half of licenses were with companies buying their first ARM technology license
- ARM continues to outperform the semiconductor industry
 - Q3 saw strong growth in MCU, smartcards and disk drive chips
- ARM outsourcing model continues to gain traction
 - Physical IP platform at 28nm, 4 POPs and 2 Mali graphics licenses
- Delivering increased profits whilst increasing R&D investment
 - 47% growth in earnings in Q3
 - Increased headcount by 150 since beginning of 2011



Outlook

- Q4 outlook
 - Healthy opportunity pipeline and order backlog at high-level
 - Expect licensing to remain strong
 - Data indicates relevant industry revenue in Q3 to be broadly flat sequentially
- Normalised Q4 operating expenses, assuming constant currency, expected to be in the range £63m to £65m
- Expect dollar revenues for FY to be in line with current market expectations of around \$763 million

Q3 2011 – Revenue Summary (\$)

	Q3 2011 \$m	Q3 2010 \$m	
PD			
Licensing	59.7	42.2	41%
Royalties	84.2	70.4	20%
PD Total	143.9	112.6	28%
PIPD			
Licensing	12.9	10.5	23%
Royalties*	12.6	11.3	12%
PIPD Total	25.5	21.8	17%
Development Systems	12.5	15.6	-20%
Services	10.4	8.1	29%
Total Revenue	192.3	158.1	22%

* Includes catch-up royalties in Q3 2011 of \$1.7m and \$0.6m in Q3 2010

Q3 2011 – Revenue Summary (£)

	Q3 2011 £m	Q3 2010 £m	
PD			
Licensing	37.8	26.6	43%
Royalties	52.1	44.8	16%
PD Total	89.9	71.4	26%
PIPD			
Licensing	8.2	6.7	22%
Royalties*	7.8	7.2	8%
PIPD Total	16.0	13.9	15%
Development Systems	7.8	10.0	-22%
Services	6.5	5.1	27%
Total Revenue **	120.2	100.4	20%

* Includes catch-up royalties in Q3 2011 of £1.1m and £0.4m Q3 2010

** ARM's \$/£ effective rate \$1.60 in Q3 2011 and \$1.58 in Q3 2010

YTD 2011 – Revenue Summary (\$)

	YTD 2011 \$m	YTD 2010 \$m	
PD			
Licensing	169.0	113.0	49%
Royalty	256.5	209.6	22%
PD Total	425.5	322.6	32%
PIPD			
Licensing	37.8	29.8	27%
Royalty ¹	34.4	31.8	8%
PIPD Total	72.2	61.6	17%
Development Systems	39.8	43.8	-9%
Services	30.5	23.7	29%
Total Revenue	568.0	451.7	26%

1 Includes catch-up PIPD royalties in YTD 2011 of \$2.3m and \$1.3m in YTD 2010

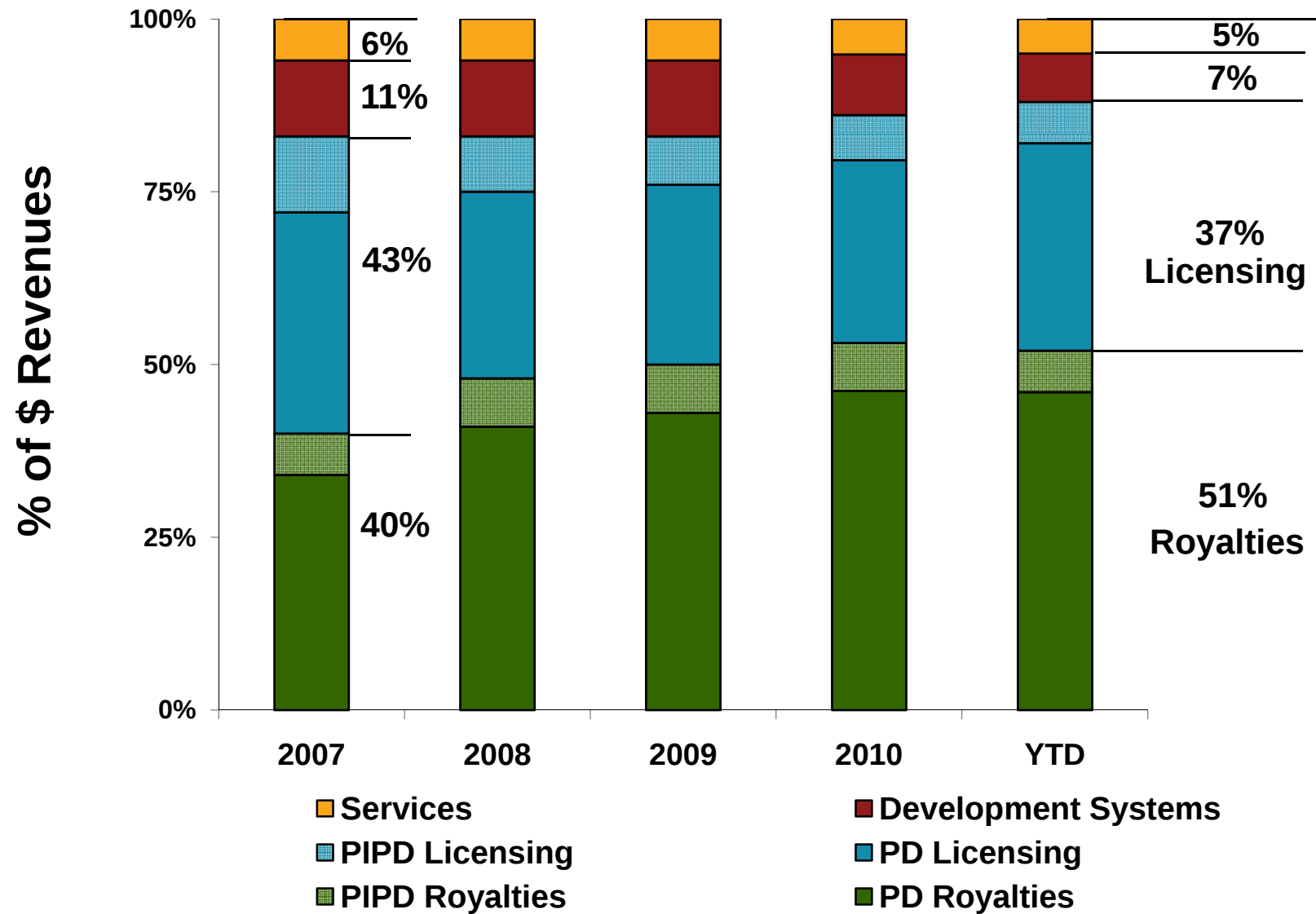
YTD 2011 – Revenue Summary (£)

	YTD 2011 £m	YTD 2010 £m	
PD			
Licensing	106.4	72.0	48%
Royalty	158.5	137.3	15%
PD Total	264.9	209.3	27%
PIPD			
Licensing	23.9	19.1	25%
Royalty ¹	21.1	20.7	2%
PIPD Total	45.0	39.8	13%
Development Systems	24.8	28.6	-13%
Services	19.3	14.9	29%
Total Revenue²	354.0	292.6	21%

1 Includes catch-up PIPD royalties in YTD 2011 of £1.4m and £0.8m in YTD 2010

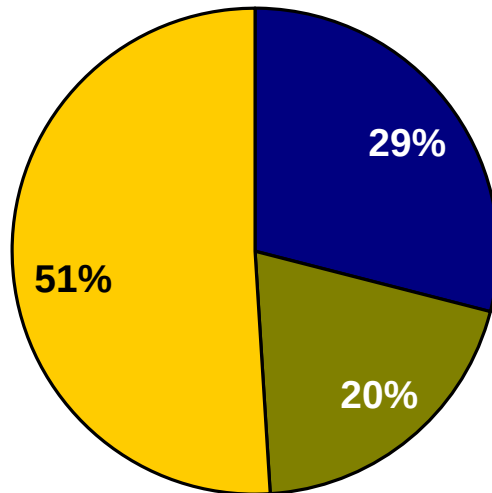
2 US \$/£ effective rate of \$1.60 in YTD 2011 and \$1.54 in YTD 2010

Revenue Split Analysis



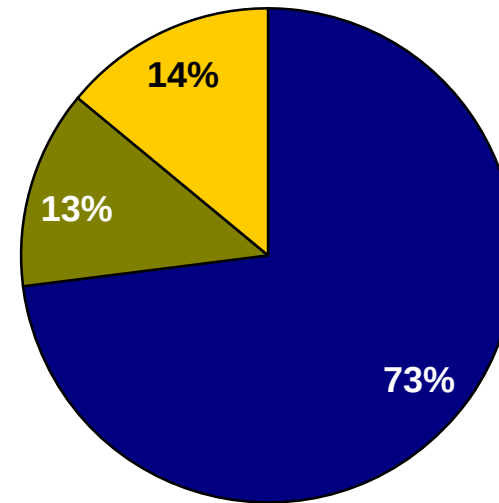
Backlog Analysis – End Q3 2011

Backlog by Maturity Profile



■ Q411/Q112 ■ Q212/Q312 ■ Q412+

Backlog Composition



■ Processors
■ Physical IP
■ Support, Maintenance & Other

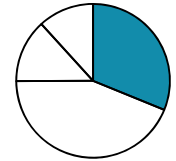
Quarterly Results Summary

	Q110 (£m)	Q210 (£m)	Q310 (£m)	Q410 (£m)	Q111 (£m)	Q211 (£m)	Q311 (£m)
Total revenues	92.3	100.0	100.4	113.9	116.0	117.8	120.2
US\$ revenues	143.3	150.3	158.1	179.6	185.5	190.2	192.3
Effective fx rate	1.55	1.50	1.58	1.58	1.60	1.61	1.60
Normalised operating profit	36.9	42.7	37.9	46.9	49.3	52.4	53.6
Operating margin (%)	40.0%	42.7%	37.7%	41.1%	42.5%	44.5%	44.6%
Normalised profit before tax	37.6	43.5	38.8	47.6	50.8	54.2	55.8
Normalised EPS (pence)	2.04	2.34	2.08	2.90	2.73	2.98	3.05
Net cash	196.0	202.3	251.9	290.1	344.3	353.8	397.2

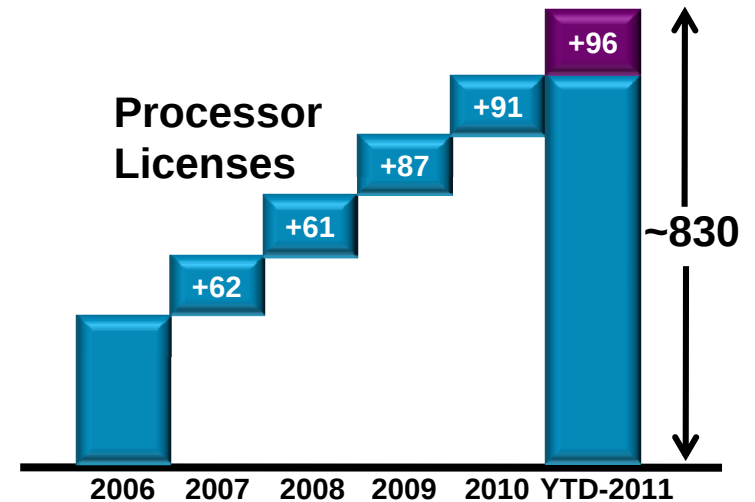
Numbers before acquisition-related charges, share-based payments, Linaro-related charges, restructuring charges and impairment or profit on disposal of investments

Processor Licensing

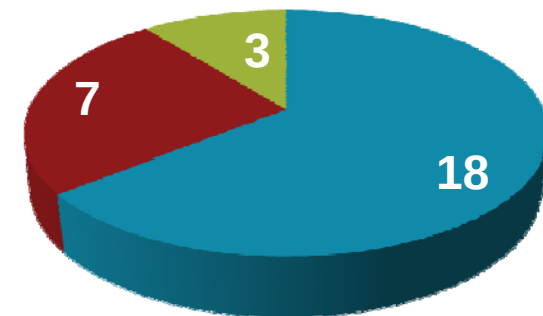
31%
group \$revs



- Revenues at \$59.7m up 41% year on year
 - Group backlog flat sequentially
- Base of licenses grows to 829 with 28 licenses signed in Q3 2011
 - 14 licenses signed with new customers, many of them established semis companies
 - 9 Cortex-A and 14 Cortex-M class processors
 - Including 3 Cortex A15 for use in networking, mobile computing and embedded applications
- Large number of licenses signed across a broad range of end markets
 - Non-mobile licensing strong in all target markets
 - Several companies making chips for DTV or STB license ARM processor technology for the first time
- Mobile opportunity increasing too
 - 7 licenses signed for mobile and mobile computing including 2 licenses for ARM's Mali graphics



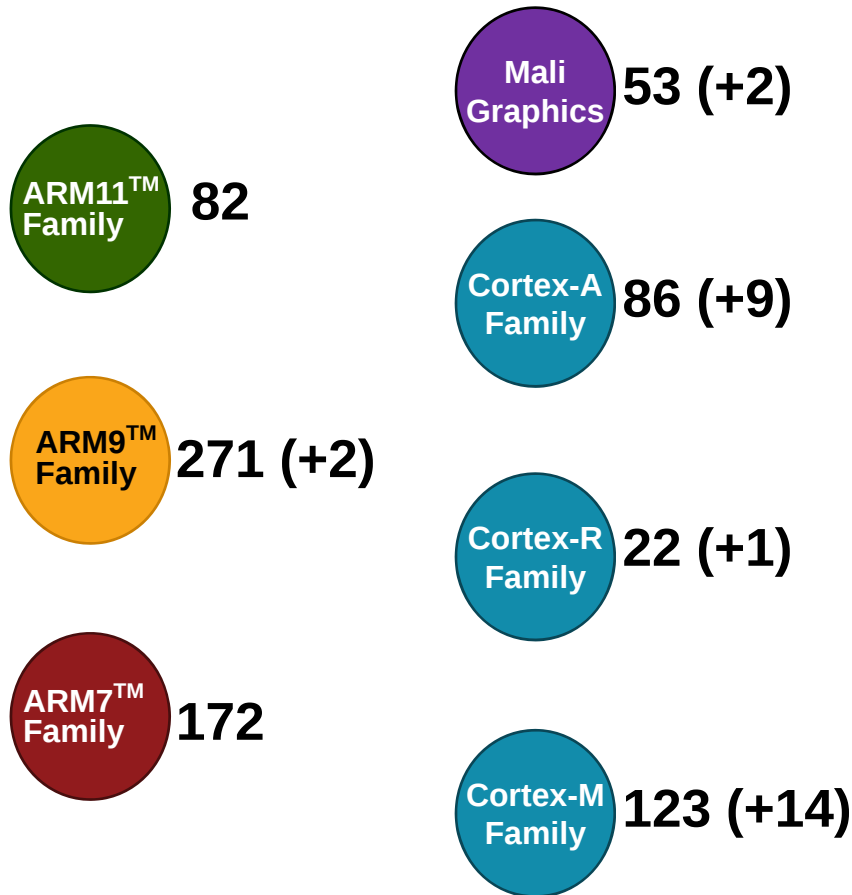
Number of licenses signed in Q3 2011



■ Non Mobile ■ Mobile ■ Multiple

Growing the Licensing Base

Cumulative licenses
(Q3 2011 licensing shown in parenthesis*)



Others = 20

*Note: Licensing numbers adjusted for licenses that are no longer expected to start generating royalties

Processor Roadmap in 2011

Mali T604 & “NG”

Mobile computing, phones and consumer electronics

Cortex-A7

Smartphone, feature phone, and digital TV
10 major companies licensed already

Cortex-R5 & R7

Dual-core embedded processors for storage, baseband & engine management
Initial lead licensees signed up

Cygnnet

Accelerating system design for Cortex-M processors

Estimated Royalty Opportunity for 2015

Application Processors

4bn units per year

Real-time Embedded

12bn units per year

Micro-controllers

18bn units per year

Licensing Increases Market Opportunity

To gain share ARM works to win designs at market leading semiconductor companies

Application	Penetration of Key Companies' Products	2010 Share Shipments
Smartphone – Apps	●●●●●●●●	>95%
Mobile Computer – Apps*	●●●●●●●●	10%
Mobile – Modems	●●●●●●●●	100%
Mobile – BT	●●●●●●●●	70%
Mobile – WiFi	●●●●●●●●	65%
Digital Camera**	●●●●●●●●	80%
Digital TV / Set-Top-Box	●●●●●●●●	35%
Networking	●●●●●●●●	25%
Printers**	●●●●●●●●	65%
Disk Drives (HDD & SSD)	●●●●●●●●	85%
Automotive	●●●●●●●●	10%
Smart Card	●●●●●●●●	6%
Microcontrollers	●●●●●●●●	10%
3D Graphics	●●●●●●●●	<1%

* Includes handheld computers, tablets, and laptops

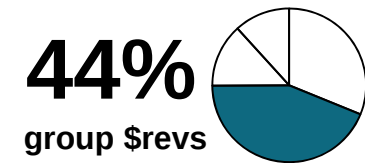
**Based on OEM market share rather than semiconductor vendor

- 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

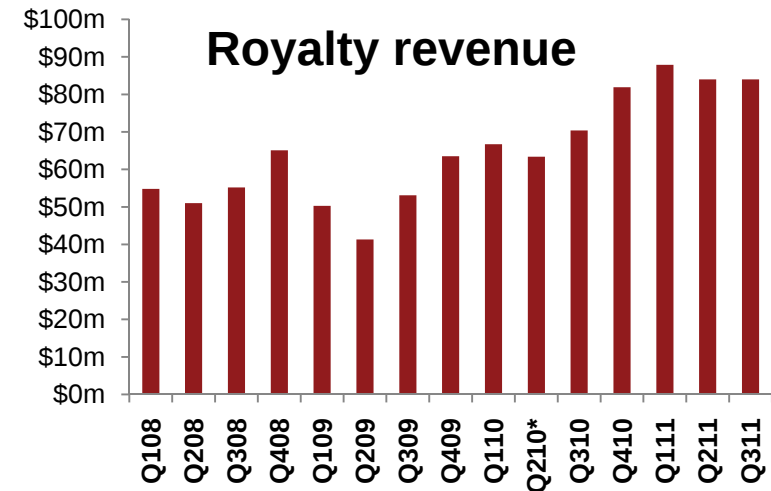
Q4 2010	● 3 company re-equipped ● 2 companies re-equipped
Q1 2011	● 3 companies re-equipped ● 1 company re-equipped ● 2 new design wins
Q2 2011	● 2 companies re-equipped
Q3 2011	● 1 company re-equipped

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

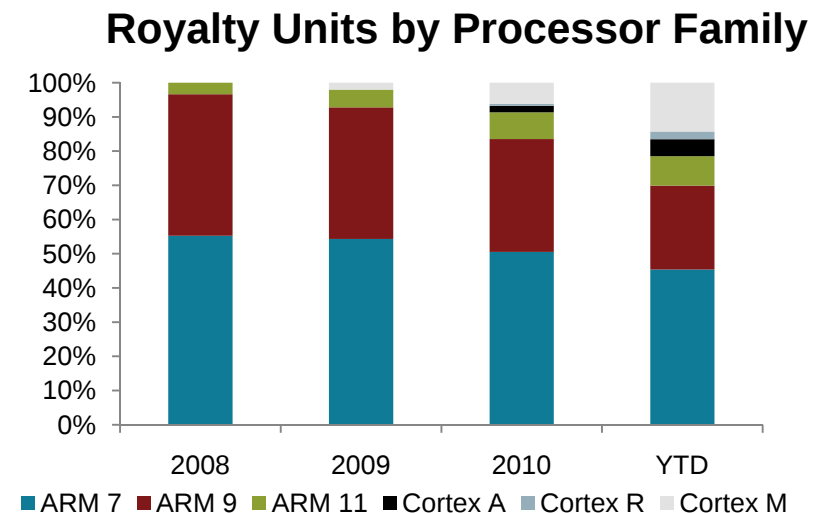
Processor Royalties



- Q3 royalty revenue up 20% year-on-year
 - Industry up about 1%[†] in the relevant period
- Cortex now represents 22% of unit shipments
 - Up from 19% in Q2
- Strong growth in Cortex-M
 - Principally driven by strong growth in ARM-based microcontrollers, smartcards and wireless networking
- Cortex-A continues to ramp
 - 300% YoY growth in Cortex-A processors in mobile and mobile computing



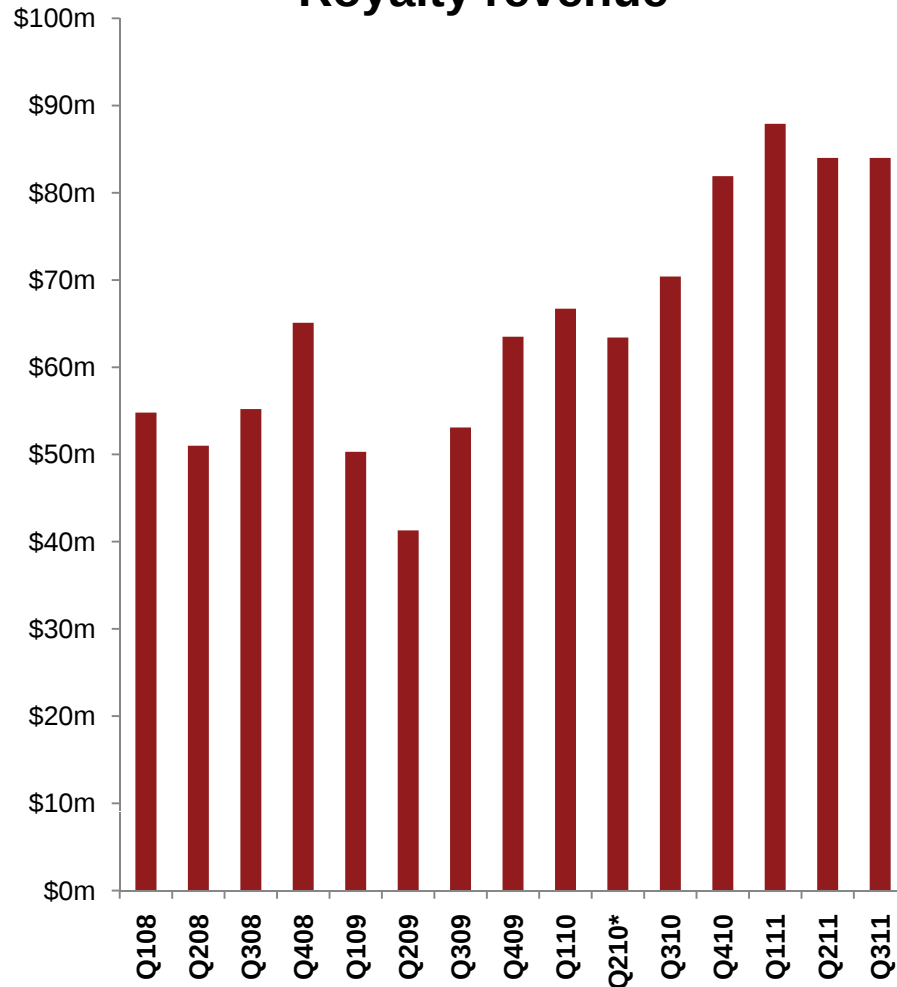
*Excluding catch up royalty revenue of \$9m in Q2 2010



[†]Source: SIA October 2011

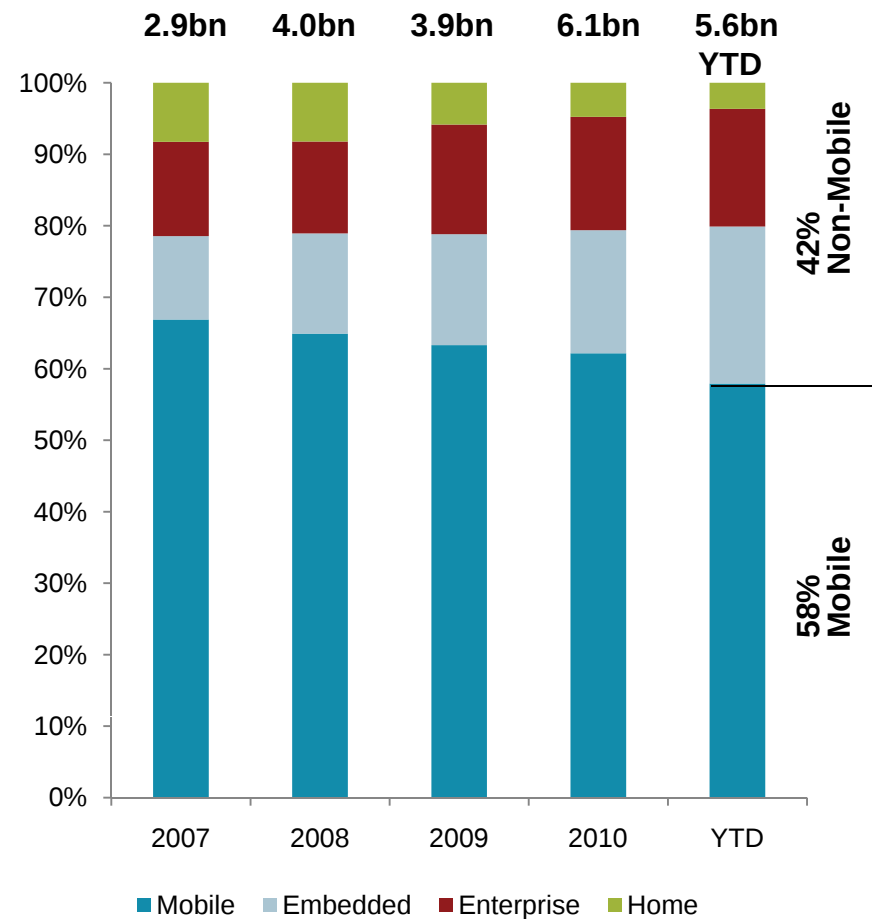
Processor Royalties

Royalty revenue



* Q210 excludes \$9m of catch up royalties

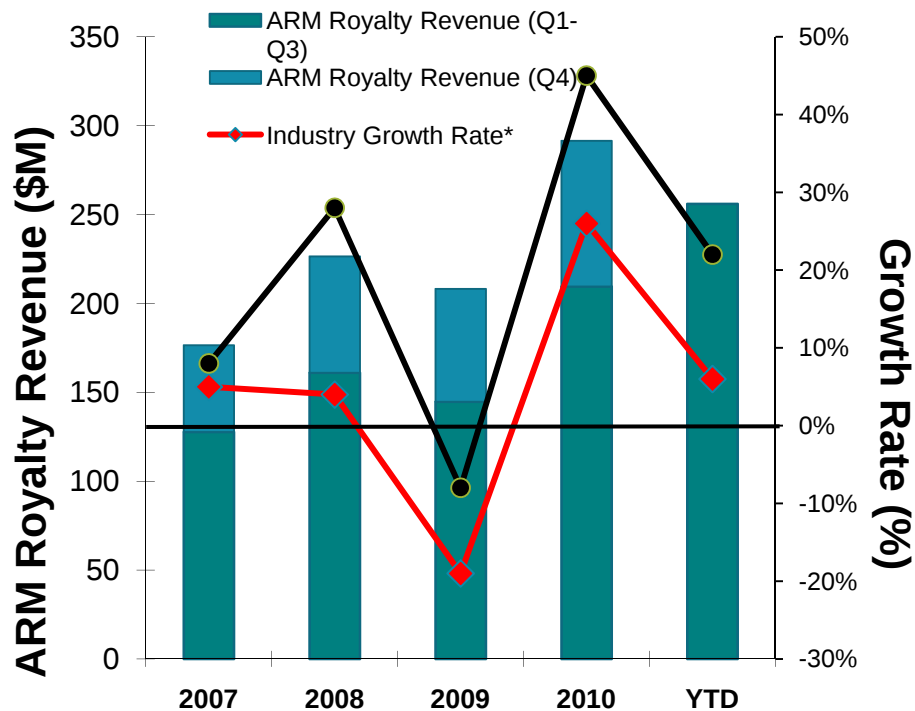
Shipment by Segment



Processor Royalties

Q3 2011: ARM Outperforms Industry

- Q3 2011 royalty revenue up 20%*
- Industry up 1% over the relevant period†

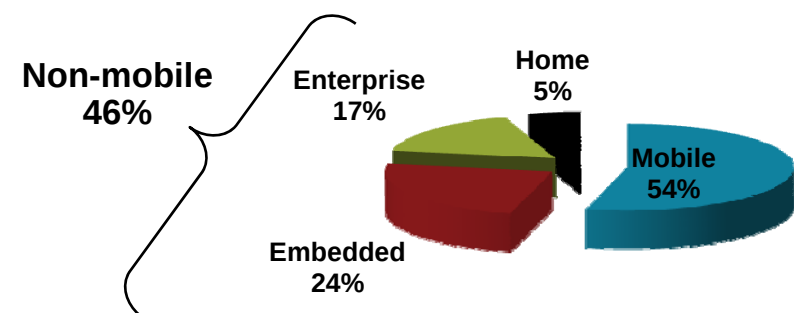


ARM \$ Royalty CAGR (07-10) = 13%
Industry \$ Revenue CAGR (07-10) = 3%

*2010 excludes \$9m of royalty catch-up
**Source: SIA October 2011
Offset 1 quarter to align with ARM's royalty revenue
Excludes memory & analog

Q3 2011: 1.9bn units (up ~25%)

- Industry units (ex-memory) Flat
- ARM mobile shipments up ~10%
Mix of ARM technology changing
 - Cortex-A in mobile up ~300%
 - WiFi/BT combo chips up ~125%
- ARM non-mobile shipments up ~50%
 - Microcontrollers up ~85%
 - Disk drives up ~20%
 - STB/DTV down ~10%



Sources:
SIA, October 2011
Gartner, September 2011

Processor Ecosystem Development

- ARM's processor ecosystem gets broader and richer with every OEM design win and as every software/tools/content developer ports their product to run on ARM-processor based chips

ARM Cortex-A7 Chosen by Mobile Leaders

Cortex-A7 works in combination with Cortex-A15 to deliver low-power and high-performance in the same device. Cortex-A7 has been licensed by leading mobile chip vendors



Microsoft Announces More Detail on WoA

Microsoft gave more details about Windows 8 on ARM technology-based chips, with NVIDIA, Qualcomm and Texas Instruments demonstrating the Windows Developer Preview



ARM-based device running Windows 8 developer preview

~1000 ARM-based Microcontroller Parts Available

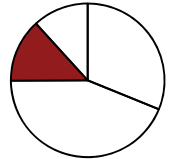
More partners announced ARM-based MCUs taking the number of parts in production to just under 1000, including

- **Atmel** releasing a new version of its Arduino development kit
- **Freescall** releasing details about their latest family of ultra low-power MCUs for cost sensitive applications;
- **STMicroelectronics** launching a high-speed Cortex-M4 based MCU for electric motor control and medical applications;
- **TI** announcing new MCU families for safety-critical systems and industrial automation

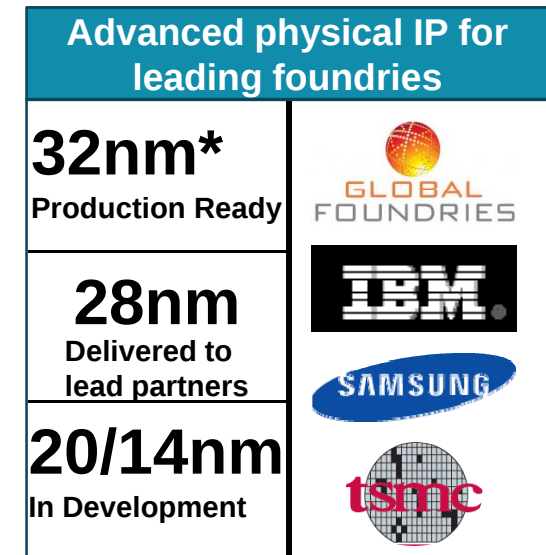


Physical IP

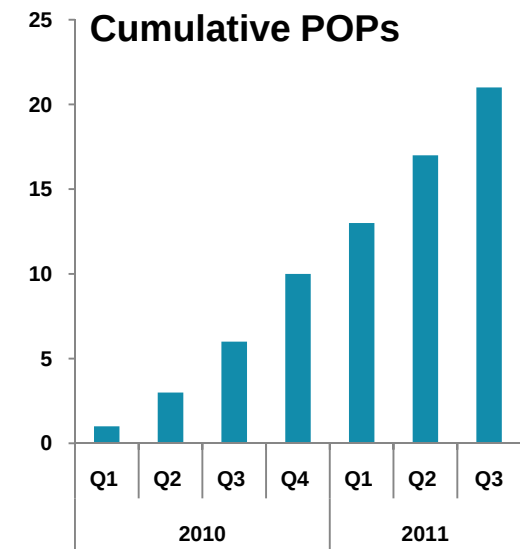
14%
group \$revs



- Royalty-bearing foundry platform licenses drive long-term revenue
 - UMC signed a new license at 28nm
 - 81 cumulative physical IP foundry licenses
- Continued demand for Cortex processor optimization packages (POPs)
 - 4 new POPs signed in Q3 – including first for Cortex-A15 at 28nm
 - 21 POPs signed to date
- Underlying Physical IP royalties up 3%
 - Royalties from advanced nodes (65nm and below) now comprise a third of all royalties



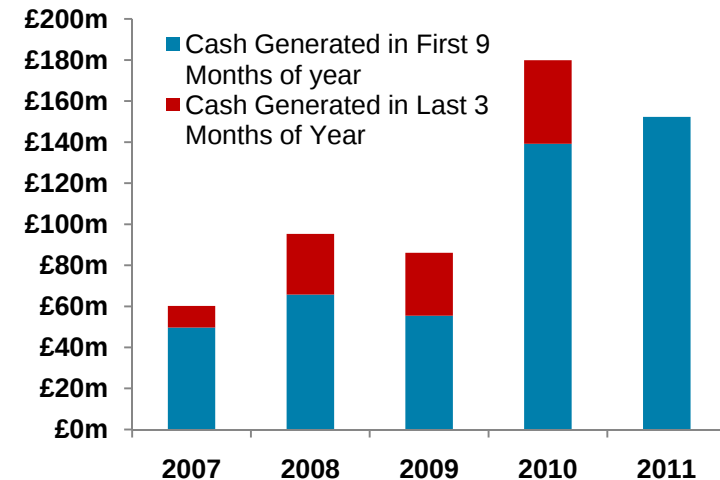
*32nm developed for GLOBALFOUNDRIES, IBM and Samsung



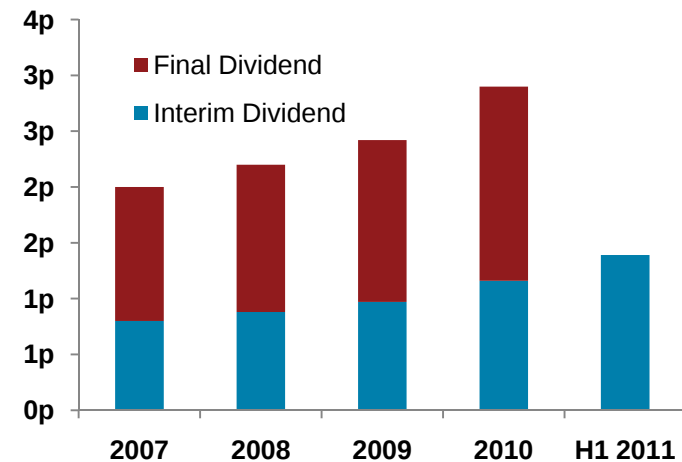
Strong Balance Sheet and Cash Generation

- Healthy margins drive strong cash generation in Q3
 - Generated £44m of cash in Q3
 - Net cash of £397m at end Q3
- Total cash returned of £425m over 5 years
 - £163m via dividend
 - £262m via share buybacks
- Progressive dividend policy
 - 2011 interim dividend increased 20%

Strong Cash Generation



Dividend Growth



Summary Balance Sheet

IFRS	30 Sep 11 £MM	31 Dec 10 £MM
Assets		
Cash (net of accrued interest)	397.2	290.1
Accounts receivable (net of AROC)	79.1	97.0
Amounts recoverable on contracts (AROC)	6.3	8.7
Other debtors, inventory and investments	158.9	130.7
Property and equipment	16.6	13.8
Goodwill	538.1	532.3
Other intangibles	11.3	12.1
Total assets	1,207.5	1,084.7
Liabilities & shareholders' equity		
Deferred revenue	96.1	92.7
Other creditors	84.1	97.1
Shareholders' equity	1,027.3	894.9
Total liabilities & shareholders' equity	1,207.5	1,084.7

Cash Flow Summary

£MM	Q3 11	9M 11
Operating activities	54.3	159.9
Interest received	0.8	2.8
Tax	(7.4)	(17.6)
Capital expenditure	(3.3)	(8.9)
Investments and acquisitions (net of disposals)	(2.2)	(11.5)
Share options	3.3	7.7
Dividends payable	-	(23.4)
Other (forex)	(2.2)	(1.9)
Cash flow	43.3	107.1
Opening cash (net of accrued interest)	353.9	290.1
Closing cash (net of accrued interest)	397.2	397.2
Profit before tax	55.8	160.7
Interest income, depreciation and amortisation	0.4	1.8
Cash flows from items excluded from normalised profits	(1.4)	(15.4)
Movements in working capital	(0.5)	12.8
Operating activities	54.3	159.9