ARM Holdings (ARM): First Take: Results above the Street, with positive AGI CPU commentary but royalty miss

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Key stock takeaways: We expect the stock to be range bound following headline revenue and EPS guidance that were above the Street. Key highlights from the quarter included stronger than expected Licensing revenue, offset by significantly lower Royalty revenues. Management noted increased confidence in achieving up to $2bn in AGI CPU customer demand. On the conference call, we expect investors to focus on : (1) update on supply availability for AGI CPUs; (2) visibility into smartphone market recovery; (3) Royalty revenue outlook for FY27.

Quarterly results above the Street: ARM reported revenue of $1.44 bn, above GS at $1.39 bn and the Street (VA) at $1.38 bn, and operating margin of 44.2% was above GS at 42.2% and the Street at 41.6%. Operating EPS of $0.52 was above GS and the Street at $0.48. Licensing and other revenue of $773 mn was well above GS at $677 mn and the Street at $667 mn. Royalty revenue of $670 mn was well below GS at $707 mn and the Street at $708 mn.

FY3Q guidance is in line with the Street. ARM guided FY3Q revenue and operating EPS above the Street. Revenue was guided to $1.54 bn at the midpoint, which is in line with GS at $1.57 bn and the Street at $1.52 bn. Operating expense was guided to $825 mn, above GS at $811 mn and in line with the Street at $823 mn. Operating EPS guidance of $0.56 was below GS at $0.60 and in line with the Street at $0.55.

Price target and risks: We are Sell rated on ARM. Our 12-month price target of $160 is based on 50x our normalized EPS estimate of $3.20. Key upside risks: (1) stronger-than-expected Datacenter ramp; (2) better-than-expected operating leverage; (3) better-than-expected execution on chip manufacturing.

Exhibit 1: ARM – Variance summary

Financials ($ mn, except EPS)	FY2Q27 Actual	GS	Street	Actual/GS	Actual/Street
Licensing Revenue	773	677	667	14.1%	15.8%
Royalty Revenue	670	707	708	-5.3%	-5.4%
Total Revenue	1,443	1,385	1,377	4.2%	4.8%
QoQ	*11.9%*	*7.4%*	*6.8%*		
YoY	*27.1%*	*22.0%*	*21.3%*		
Gross Margin (excl. SBC)	97.9%	98.6%	98.2%	*-74 bps*	*-31 bps*
Operating Income (excl. SBC)	638	584	573	9.3%	11.3%
Operating Margin (%)	44.2%	42.2%	41.6%	*+206 bps*	*+258 bps*
EPS (excl. SBC)	$0.52	$0.48	$0.48	7.4%	9.3%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

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Exhibit 2: ARM – Guidance

Financials ($ mn, except EPS)	Low	High	Guidance (midpoint)	FY3Q27E GS	Street	Guidance/GS	Guidance/Street
Total Revenue	1,490	1,590	1,540	**1,569**	**1,519**	-1.8%	1.4%
QoQ			*6.7%*	***13.3%***	***10.4%***		
YoY			*24.0%*	***26.3%***	***22.3%***		
Operating expense (ex SBC)			825	**811**	**823**	1.7%	0.3%
EPS (excl. SBC)	0.52	0.6	0.56	**$0.60**	**$0.55**	-7.0%	1.9%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

ARM	12m Price Target: **$160.00**	Price: **$202.49**	Downside: **21.0%**

Sell

Market cap: $218.3bn
Enterprise value: $214.8bn
3m ADTV: $1.3bn
United States
Americas Semiconductors & IT Services
M&A Rank: 3

GS Forecast

	3/26	3/27E	3/28E	3/29E
Revenue ($ mn)	4,920.0	6,086.2	8,009.5	10,090.8
EBITDA ($ mn)	2,364.0	3,021.8	3,915.3	4,935.7
EBIT ($ mn)	2,115.0	2,721.8	3,615.3	4,635.7
EPS ($)	1.77	2.25	2.95	3.75
P/E (X)	76.0	90.2	68.7	54.0
EV/EBITDA (X)	59.1	70.3	54.0	42.4
FCF yield (%)	0.7	1.0	1.0	1.5
Dividend yield (%)	0.0	0.0	0.0	0.0
Net debt/EBITDA (X)	(1.2)	(1.2)	(1.2)	(1.3)

	6/26	9/26E	12/26E	3/27E
EPS ($)	0.45	0.48	0.60	0.71

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3 Nov 2026 close.