Arm Holdings PLC

Chip Business Starting To Ramp; Execution Remains Key

Equities

United States
Semiconductors

12-month rating **Buy**

12m price target	**US$270.00**
	Prior : US$320.00
Price (04 Nov 2026)	**US$191.80**

RIC: ARM.O **BBG:** ARM US

Trading data and key metrics

52-wk range	US$439.46-104.55
Market cap.	US$203b
Shares o/s	1,061m (COM)
Free float	12%
Avg. daily volume ('000)	4,785
Avg. daily value (m)	US$1,247.4
Common s/h equity (03/27E)	US$10.5b
P/BV (03/27E)	19.5x
Net debt to EBITDA (03/27E)	NM

EPS (UBS, diluted) (USD)

	03/27E			
	From	To	% ch	Cons.
Q1	0.45	0.45	0	0.45
Q2E	0.48	0.52	10	0.48
Q3E	0.58	0.59	1	0.56
Q4E	0.78	0.76	-2	0.75
03/27E	2.28	2.32	2	2.23
03/28E	3.07	2.89	-6	3.06
03/29E	4.39	4.06	-8	4.04

Timothy Arcuri
Analyst
timothy.arcuri@ubs.com
+1-415-352 5676

Seth Cho
Associate Analyst
seth.cho@ubs.com

Summary

Sep Q came in ahead on another strong licensing quarter, while Dec Q revenue guidance also landed above the Street. Licensing grew 50% Y/Y to $773MM, driven by several high-value deals, including 3 new ATA agreements and 4 additional CSS licenses, with momentum set to continue as Dec Q licensing grows >50% Y/Y and Mar Q ~30%. Royalties remain the near-term offset, with Sep Q revenue of $670MM (+8% Y/Y) weighed down by smartphone weakness despite continued strength in DC/Physical AI and higher ARMv9/CSS royalty rates. Dec Q royalty growth should remain muted at LSD % Y/Y before improving in Mar Q as smartphone comps ease and higher ARMv9/CSS rates become more meaningful. AGI visibility continues to improve, with manufacturing capacity secured, POs signed with multiple customers, and demand running well above the ~$2B revenue opportunity through FY28. Production is ramping into Dec ahead of Mar deliveries, with ~$100MM of AGI revenue expected in Mar Q. Net-net, stronger licensing and increased confidence in the AGI ramp more than offset near-term royalty softness, driving modest increases to our CY27/CY28 revenue estimates from $7.65B/$10.64B to $7.83B/$10.67B. However, higher OpEx, particularly R&D, drives our CY27/CY28 EPS estimates lower from $2.85/$4.14 to $2.75/$3.81 and our PT from $320 to $270.

Analysis/Key Highlights

- **Results**: ARM reported Sep Q revenue of $1.44B, above the guidance range and also above UBSe/Street by ~5%, with EPS of $0.52, $0.02 above the high end of the range and $0.04 above UBSe/Street. Revenue grew 27% Y/Y as royalties of $670MM missed UBSe/Street by ~5%, while licensing of $773MM was 15%/17% above UBSe/Street. Opex was $774MM - below UBSe and Street, driving operating margin of 44.2% (+300bps Y/Y and Q/Q).
- **Guidance**: ARM guided Dec Q revenue of $1.54B +/-$50MM, up ~7% Q/Q at the midpoint and 1% above the Street, OpEx of ~$825MM, and EPS of $0.52-0.60 vs. prior UBSe/Street of $0.58/$0.55. Management expects royalty revenues to grow LSD% Y/Y (or up low-teens Q/Q) and licensing revenue to grow >50% Y/Y.
- **Handset IP**: ARM continues to see smartphone weakness weighing on near-term royalty growth, with Dec Q expected to grow just LSD% Y/Y despite higher ARMv9/CSS royalty rates and continued mix shift toward higher-value IP. The pressure should begin to ease in Mar Q as ARM laps the initial handset slowdown, allowing the benefit from ARMv9/CSS adoption to become more visible. Longer term, ARM assumes roughly flat smartphone units in 2027 - which, admittedly, to us sounds too optimistic simply based on recent sell-through data (here) - but still expects DD mobile revenue growth as CSS/v9 penetration drives higher royalty content per device. This should help royalties move back toward the company's

Highlights (US$m)	03/24	03/25	03/26	03/27E	03/28E	03/29E	03/30E	03/31E
Revenues	3,233	4,007	4,920	6,227	8,424	11,153	16,022	25,482
EBIT (UBS)	1,408	1,877	2,115	2,825	3,517	4,975	7,419	11,668
Net earnings (UBS)	1,333	1,743	1,889	2,505	3,142	4,450	6,613	10,332
EPS (UBS, diluted) (US$)	1.28	1.64	1.77	2.32	2.89	4.06	5.98	9.23
DPS (net) (US$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	2,923	2,825	3,601	4,235	6,255	9,613	13,452	20,043

Profitability/valuation	03/24	03/25	03/26	03/27E	03/28E	03/29E	03/30E	03/31E
EBIT (UBS) margin %	43.6	46.8	43.0	45.4	41.7	44.6	46.3	45.8
ROIC (EBIT) %	102.6	73.9	54.6	56.4	56.1	67.4	79.7	92.8
EV/EBITDA (UBS core) x	50.0	68.0	58.7	63.3	50.5	36.4	25.0	16.1
P/E (UBS, diluted) x	62.0	83.3	75.9	82.7	66.4	47.3	32.1	20.8
Equity FCF (UBS) yield %	1.2	0.1	0.7	0.7	1.0	1.6	1.9	3.2
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 191.80 on 04-Nov-2026 18:31:45 EST

This report has been prepared by UBS Securities LLC. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 16.**

longer-term ~20% growth trajectory once the handset headwind is lapped.

- **Data Center IP**: DC remains the strongest piece of the royalty business, with all major hyperscalers plus NVDA continuing to ramp ARM-based server CPUs. Cloud now represents ~20% of revenue, with DC roughly half of that, and ARM expects continued strong growth as both CPU penetration and royalty content per chip increase. The royalty economics are particularly attractive as customers migrate toward CSS, with traditional CPU IP earning ~5% of chip ASP vs. ~10% for CSS and some newer CSS agreements reaching ~15%. On a per-core basis, CSS royalties are generally around ~$1/core but can reach ~$1.50-1.75/core depending on the customer, with ARM noting that ASP/core and ASP/chip tend to move together. As a result, increasing core counts, higher server CPU ASPs and greater CSS adoption should all contribute to royalty growth, while Physical AI and networking provide additional upside.
- **Licensing:** Licensing revenue again came in well above expectations, +50% Y/Y to $773MM, driven by several high-value deals including 3 new ATA agreements and 4 additional CSS licenses, with several already triggering revenue recognition from backlog. Momentum remains strong into 2H as ARM expects Dec Q licensing to grow >50% Y/Y and Mar Q ~30% Y/Y, well above the LDD-type longer-term growth discussed historically. ARM continues to see accelerating demand for licensing as customers invest in AI-related chip development, with CSS becoming increasingly important alongside continued ATA adoption. Importantly, strength does not appear to be driven by pull-ins, suggesting licensing can remain a larger contributor to growth even as royalties face near-term handset pressure.
- **AGI CPU**: ARM increased confidence in reaching ~$2B of AGI revenue across FY27/FY28, with demand now running well above this level. Manufacturing capacity is locked up, and ARM has signed POs with multiple customers, with pilot builds shipped over the last 90 days and production ramping into Dec ahead of initial deliveries in Mar. We continue to expect ~$100MM of AGI revenue in Mar Q, with FY28 remaining the bigger ramp year. While supply was previously the key bottleneck, ARM has largely addressed capacity for the initial ramp with the focus now shifting to execution/deployment as this is the first chip and revenue is starting from essentially zero.
- **FY2027 Outlook:** We continue to expect ARM's revenue to grow >20% Y/Y in FY2027 at ~27% (UBSe) as we expect licensing revenue to grow ~40% Y/Y and royalties ~11% Y/Y. We model GM of 97% for FY27E, impacted by the CPU revenue contribution in 4Q. We model FY27E OpEx of $3.2B up 18% Y/Y.

Read-Across

Bullish commentary on CPU demand and custom silicon complexity, which over the longer term should benefit AMD and INTC, as well as AVGO, MRVL, and ALAB, which should benefit from broader AI networking opportunities.

Valuation: PT $270 (from $320)

We derive our $270 price target based on a PEG methodology. We use a 1.8x target PEG (unchanged). Our LT EPS CAGR for ARM is 38%; applying our 1.8x PEG multiple results in a 70x P/E multiple. 70x our 2028E EPS of $3.81 (vs prior $4.14) gives a $270 price target.



RESULTS

Figure 1: FQ2:27 Results

Key Metrics	Reported Q: FQ2:27 Actual	UBS Estimate	Street Estimate	Actual vs UBS	Actual vs Street
Revenue ($MM)	$1,443	$1,379	$1,378	4.6%	4.7%
Y/Y Growth	27.1%	21.5%	21.4%		
Guidance	$1,330-1,430				
Opex (non-GAAP)	$774	$780	$777	0.8%	0.4%
Guidance	$780.0				
Operating Income (Non-GAAP)	$638	$574	$572	11.1%	11.5%
Operating Margin (Non-GAAP)	44.2%	41.6%	41.5%	2.6%	2.7%
Non-GAAP EPS	$0.52	$0.48	$0.48	10.1%	10.3%
Guidance	$0.43-0.50				
FCF	$110	$332	$427	-66.9%	-74.2%
Revenue detail ($MM)					
Royalty revenue	$670	$708	$705	-5.3%	-4.9%
Q/Q Growth	-6.3%	-1.0%	-1.5%		
Y/Y Growth	8.1%	14.2%	13.6%		
License and other revenue	$773	$672	$661	15.1%	17.0%
Q/Q Growth	34.7%	17.0%	15.1%		
Y/Y Growth	50.1%	30.4%	28.3%		

Source: Company reports, UBS estimates, Visible Alpha.

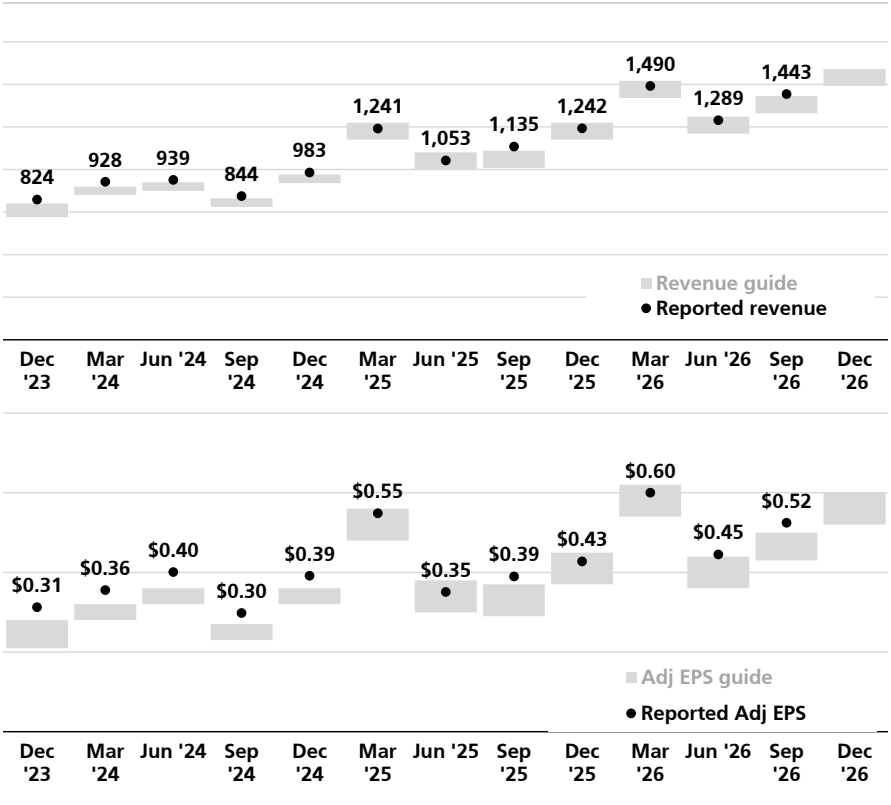
GUIDANCE

Figure 2: FQ3:27 Guidance

Key Metrics	Next Q: FQ3:27 Guidance	UBSe(New)	UBSe (pre-call)	Street Est. (pre-call)
Revenue ($MM)	$1,540+/-$50MM	$1,571	$1,552	$1,523
Y/Y Growth		26.5%	25.0%	22.6%
Opex (non-GAAP)	$825MM	$825	$822	$832
Operating Income (Non-GAAP)		$715	$705	$652
Operating Margin (Non-GAAP)		45.5%	45.4%	42.8%
Non-GAAP EPS	$0.56+/-$0.04	$0.59	$0.58	$0.55
FCF		$375	$337	$490
Revenue detail ($MM)				
Royalty revenue		$744	$807	$817
Q/Q Growth		11.0%	14.0%	21.9%
Y/Y Growth		0.9%	9.5%	10.8%
License and other revenue		$827	$745	$701
Q/Q Growth		7.0%	11.0%	-9.3%
Y/Y Growth		63.8%	47.6%	38.8%

Source: Company reports, UBS estimates, FactSet.

Figure 3: Arm Guidance and Surprise History



Source: Company reports, UBS

ESTIMATE CHANGES

Figure 4: New vs Old Estimates

	CY 2026E			CY 2027E			CY 2028E		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue ($MM)	$5,793	$5,711	1%	$7,827	$7,650	2%	$10,667	$10,644	0%
Y/Y Growth	24.0%	22.3%		35.1%	34.0%		36.3%	39.1%	
Opex (Non-GAAP)	$3,066	$3,069	0%	$3,771	$3,662	-3%	$4,458	$4,232	-5%
Operating Income (Non-GAAP)	$2,615	$2,541	3%	$3,349	$3,464	-3%	$4,674	$5,062	-8%
Operating Margin (Non-GAAP)	45.1%	44.5%	1%	42.8%	45.3%	-2%	43.8%	47.6%	-4%
Non-GAAP EPS	$2.16	$2.10	2%	$2.75	$2.85	-4%	$3.81	$4.14	-8%
FCF	$1,302	$1,486	-12%	$1,815	$1,995	-9%	$2,848	$3,194	-11%
Revenue detail ($MM)									
Royalty revenue	$2,800	$2,901	-3%	$3,261	$3,561	-8%	$3,966	$4,361	-9%
Y/Y Growth	9.8%	13.8%		16.5%	22.8%		21.6%	22.4%	
License and other revenue	$2,993	$2,810	7%	$3,526	$3,328	6%	$3,764	$3,634	4%
Y/Y Growth	41.1%	32.4%		17.8%	18.4%		6.7%	9.2%	

Source: UBS estimates

Figure 5: Arm UBS vs Street estimates

	F2025	F2026	Jun '26	Sep '26	Dec '26	Mar '27	F2027	Jun '27	Sep '27	Dec '27	Mar '28	F2028	Jun '28	Sep '28	Dec '28	Mar '29	F2029	CY2024	CY2025	CY2026	CY2027	CY2028
Revenues ($MM)																						
UBSe	**$ 4,007**	**$ 4,920**	$ 1,289	$ 1,443	$ 1,571	$ 1,924	**$ 6,227**	$ 1,787	$ 1,923	$ 2,193	$ 2,521	**$ 8,424**	$ 2,581	$ 2,703	$ 2,862	$ 3,007	**$ 11,153**	**$ 3,694**	**$ 4,671**	**$ 5,793**	**$ 7,827**	**$ 10,667**
UBS (Old)					$ 1,552	$ 1,923	**$ 6,143**	$ 1,710	$ 1,855	$ 2,162	$ 2,505	**$ 8,233**	$ 2,554	$ 2,692	$ 2,893	$ 3,057	**$ 11,195**			**$ 5,711**	**$ 7,650**	**$ 10,644**
Consensus					$ 1,520	$ 1,881	**$ 6,132**	$ 1,723	$ 1,878	$ 2,097	$ 2,503	**$ 8,202**	$ 2,292	$ 2,472	$ 2,694	$ 3,046	**$ 10,504**			**$ 5,742**	**$ 7,579**	**$ 9,961**
Delta					3.4%	2.3%	1.5%	3.7%	2.4%	4.6%	0.7%	2.7%	12.6%	9.4%	6.2%	-1.3%	6.2%			0.9%	3.3%	7.1%
EPS (Non GAAP)																						
UBSe	**$ 1.64**	**$ 1.77**	$ 0.45	$ 0.52	$ 0.59	$ 0.76	**$ 2.32**	$ 0.59	$ 0.64	$ 0.76	$ 0.90	**$ 2.89**	$ 0.90	$ 0.97	$ 1.04	$ 1.15	**$ 4.06**	**$ 1.45**	**$ 1.72**	**$ 2.16**	**$ 2.75**	**$ 3.81**
UBS (Old)					$ 0.58	$ 0.78	**$ 2.28**	$ 0.60	$ 0.66	$ 0.81	$ 0.99	**$ 3.07**	$ 0.97	$ 1.05	$ 1.13	$ 1.24	**$ 4.39**			**$ 2.10**	**$ 2.85**	**$ 4.14**
Consensus					$ 0.55	$ 0.76	**$ 2.28**	$ 0.60	$ 0.67	$ 0.78	$ 1.01	**$ 3.06**	$ 0.82	$ 0.92	$ 1.04	$ 1.23	**$ 4.01**			**$ 2.12**	**$ 2.80**	**$ 3.79**
Delta					7.3%	-	1.8%	-0.9%	-4.5%	-3.0%	-10.9%	-5.5%	9.4%	6.3%	0.1%	-6.9%	1.3%			1.7%	-2.0%	0.7%

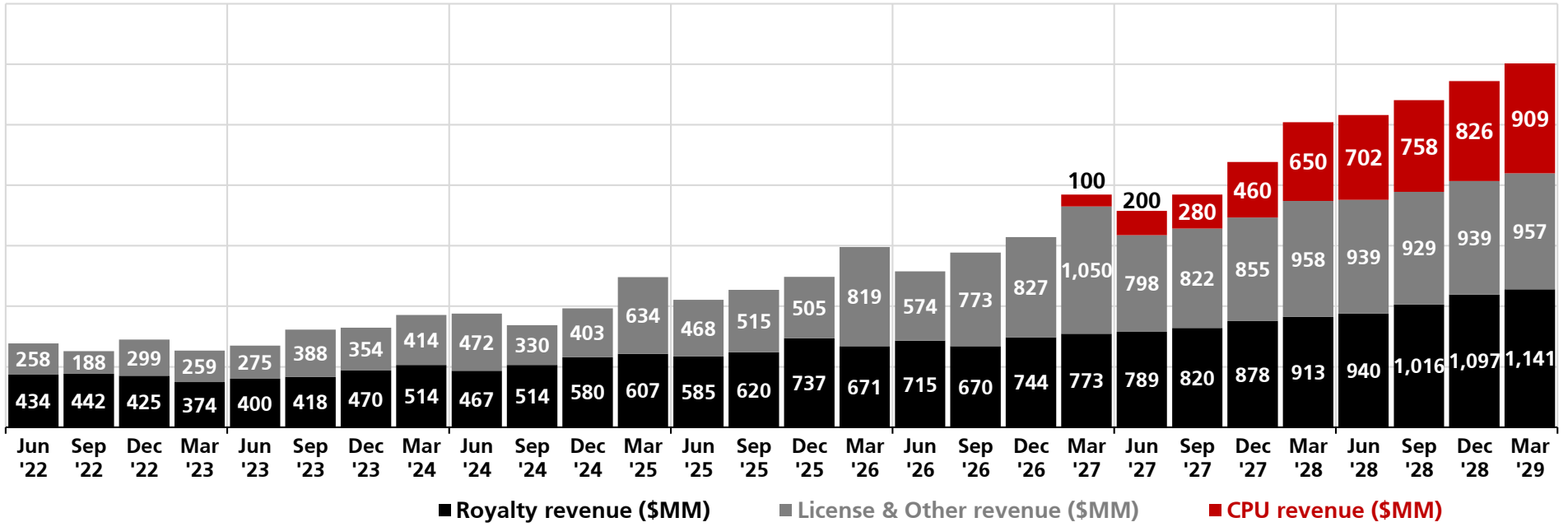
Source: Company reports, UBS estimates, FactSet.

Figure 6: Arm Summary Model

Arm Holdings Plc. (ARM) - Key Metrics (in $MM except EPS and units)	C2022A	C2023A	C2024A	C2025A	FQ4:26A CQ1A	FQ1A CQ2A	FQ2A CQ3A	Estimates FQ3E CQ4E	C2026E	FQ4:27E CQ1E	FQ1E CQ2E	FQ2E CQ3E	FQ3E CQ4E	C2027E	C2028E	FISCAL YEAR SUMMARY F2023A	F2024A	F2025A	F2026E	F2027E	F2028E
Revenue	**$2,703**	**$2,938**	**$3,694**	**$4,671**	**$1,490**	**$1,289**	**$1,443**	**$1,571**	**$5,793**	**$1,924**	**$1,787**	**$1,923**	**$2,193**	**$7,827**	**$10,667**	**$2,679**	**$3,233**	**$4,007**	**$4,920**	**$6,227**	**$8,424**
Y/Y Growth		8.7%	25.7%	26.4%	20.1%	22.4%	27.1%	26.5%	24.0%	29.1%	38.7%	33.2%	39.6%	35.1%	36.3%	-0.9%	20.7%	23.9%	22.8%	26.6%	35.3%
Gross Profit (Non-GAAP)	$2,592	$2,837	$3,607	$4,588	$1,465	$1,264	$1,412	$1,540	$5,681	$1,819	$1,639	$1,733	$1,929	$7,120	$9,132	$2,580	$3,131	$3,926	$4,832	$6,035	$7,462
Gross Margin	**95.9%**	**96.6%**	**97.6%**	**98.2%**	**98.3%**	**98.1%**	**97.9%**	**98.0%**	**98.1%**	**94.6%**	**91.7%**	**90.1%**	**87.9%**	**91.0%**	**85.6%**	**96.3%**	**96.8%**	**98.0%**	**98.2%**	**96.9%**	**88.6%**
Opex (Non-GAAP)	**$1,839**	**$1,821**	**$1,994**	**$2,549**	**$734**	**$733**	**$774**	**$825**	**$3,066**	**$879**	**$922**	**$962**	**$1,008**	**$3,771**	**$4,458**	**$1,797**	**$1,723**	**$2,049**	**$2,717**	**$3,211**	**$3,945**
Y/Y Growth			9.5%	27.8%	29.7%	18.4%	19.4%	15.2%	20.3%	19.7%	25.7%	24.3%	22.2%	23.0%	18.2%	-2.9%	-4.1%	18.9%	32.6%	18.2%	22.9%
Operating Income (Non-GAAP)	$753	$1,016	$1,613	$2,039	$731	$531	$638	$715	$2,615	$940	$718	$770	$921	$3,349	$4,674	$783	$1,408	$1,877	$2,115	$2,825	$3,517
Operating Margin	**27.9%**	**34.6%**	**43.7%**	**43.7%**	**49.1%**	**41.2%**	**44.2%**	**45.5%**	**45.1%**	**48.9%**	**40.2%**	**40.1%**	**42.0%**	**42.8%**	**43.8%**	**29.2%**	**43.6%**	**46.8%**	**43.0%**	**45.4%**	**41.7%**
Non-GAAP EPS	**$ 0.62**	**$ 0.94**	**$ 1.45**	**$ 1.72**	**$ 0.60**	**$ 0.45**	**$ 0.52**	**$ 0.59**	**$ 2.16**	**$ 0.76**	**$ 0.59**	**$ 0.64**	**$ 0.76**	**$ 2.75**	**$ 3.81**	**$ 0.64**	**$ 1.28**	**$ 1.64**	**$ 1.77**	**$ 2.32**	**$ 2.89**
Free Cash Flow																					
CFFO	$256	$906	$806	$1,522	$260	$902	$207	$569	$1,938	$477	$976	$647	$623	$2,722	$3,977	$739	$1,090	$397	$1,524	$2,154	$2,977
Capex and intangibles	($104)	($182)	($233)	($629)	($108)	($237)	($97)	($194)	($636)	($238)	($203)	($218)	($249)	($907)	($1,129)	($133)	($183)	($298)	($642)	($765)	($956)
FCF	**$152**	**$724**	**$573**	**$893**	**$152**	**$665**	**$110**	**$375**	**$1,302**	**$239**	**$773**	**$429**	**$374**	**$1,815**	**$2,848**	**$606**	**$907**	**$99**	**$882**	**$1,389**	**$2,021**
% of revenue	(6%)	-24.6%	-15.5%	-19.1%	-10.2%	-51.6%	-7.6%	-23.8%	-22.5%	-12.4%	-43.3%	-22.3%	-17.1%	-23.2%	-26.7%	22.6%	28.1%	2.5%	17.9%	22.3%	24.0%
Y/Y Growth		376.3%	-20.9%	55.8%	-6.7%	343.3%	-73.2%	121.6%	45.8%	57.2%	16.3%	289.8%	-0.1%	39.5%	56.9%	75.1%	49.7%	-89.1%	790.9%	57.4%	45.5%
Revenue Reporting																					
Royalty revenue	**$1,725**	**$1,662**	**$2,075**	**$2,549**	**$671**	**$715**	**$670**	**$744**	**$2,800**	**$773**	**$789**	**$820**	**$878**	**$3,261**	**$3,966**	**$1,675**	**$1,802**	**$2,168**	**$2,613**	**$2,902**	**$3,400**
% of revenue	64%	56.6%	56.2%	54.6%	45.0%	55.5%	46.4%	47.3%	48.3%	40.2%	44.1%	42.7%	40.0%	41.7%	37.2%	62.5%	55.7%	54.1%	53.1%	46.6%	40.4%
Y/Y growth		-3.7%	24.8%	22.8%	10.5%	22.2%	8.1%	0.9%	9.8%	15.3%	10.3%	22.5%	18.0%	16.5%	21.6%	7.2%	7.6%	20.3%	20.5%	11.1%	17.2%
Q/Q growth					-9.0%	6.6%	-6.3%	11.0%		4.0%	2.0%	4.0%	7.0%								
of which ARM v7			90.0%	25.0%												43.0%	36.0%	28.6%	25.0%		
of which ARM v8			135.0%	44.0%												49.0%	46.5%	44.7%	15.0%		
of which ARM v9		25.0%	95.0%	31.0%												8.0%	17.5%	26.7%	60.0%		
License and other revenue	**$978**	**$1,276**	**$1,619**	**$2,122**	**$819**	**$574**	**$773**	**$827**	**$2,993**	**$1,050**	**$798**	**$822**	**$855**	**$3,526**	**$3,764**	**$1,004**	**$1,431**	**$1,839**	**$2,307**	**$3,225**	**$3,434**
% of Total revenue	36%	43.4%	43.8%	45.4%	55.0%	44.5%	53.6%	52.7%	51.7%	54.6%	44.7%	42.8%	39.0%	45.1%	35.3%	37.5%	44.3%	45.9%	46.9%	51.8%	40.8%
Y/Y growth		30.5%	26.9%	31.1%	29.2%	22.6%	50.1%	63.8%	41.1%	28.3%	39.1%	6.4%	3.4%	17.8%	6.7%	-12.0%	42.5%	28.5%	25.4%	39.8%	6.5%
Q/Q growth					62.2%	-29.9%	34.7%	7.0%		27.0%	-24.0%	3.0%	4.0%								
Annualized Contract Value (ACV)	$4,171	$4,346	$4,898	$6,113												$1,030	$1,182	$1,365			
% Y/Y		4.2%	12.7%	24.8%												-	14.8%	15.5%			
% Q/Q																					
Remaining Performance Obligation (RPO)	$6,993	$8,177	$9,362	$8,852												$1,712	$2,484	$2,226			
% Y/Y		16.9%	14.5%	-5.4%												-2.2%	45.1%	-10.4%			
% Q/Q																					
implied orders	$408	$1,528	$1,162	$1,043	$518	$935	$1,020	$1,199	$3,672	$1,523	$1,166	$1,201	$1,249	$5,138	$5,524	$530	$1,823	$1,163	$1,143	$4,678	$5,014
book-to-bill	2.4x	0.8x	1.4x	2.0x	0.9x	1.1x	1.0x	1.0x	0.8x	1.0x	1.0x	1.0x	1.0x	0.7x	0.7x	0.9x	1.7x	0.8x	0.9x	1.0x	1.0x

Source: Company reports, UBS estimates

Figure 7: ARM Royalty, License, and CPU Revenue Breakdown



Source: Company data, UBS estimates

Figure 8: ARM seasonality

	Total Revenue Q/Q				Royalty Revenue Q/Q				License & Other Rev. Q/Q				ACV Q/Q				RPO Q/Q			
	CQ1 FQ4	CQ2 FQ1	CQ3 FQ2	CQ4 FQ3	CQ1 FQ4	CQ2 FQ1	CQ3 FQ2	CQ4 FQ3	CQ1 FQ4	CQ2 FQ1	CQ3 FQ2	CQ4 FQ3	CQ1 FQ4	CQ2 FQ1	CQ3 FQ2	CQ4 FQ3	CQ1 FQ4	CQ2 FQ1	CQ3 FQ2	CQ4 FQ3
CY00		12.9%	18.5%	15.5%		22.6%	37.5%	13.4%		-4.8%	0.7%	28.4%								
CY01	8.0%	13.8%	3.2%	6.6%	1.6%	-20.8%	-1.1%	5.8%	6.8%	36.3%	16.4%	4.1%								
CY02	6.0%	0.1%	-27.2%	-4.4%	-4.8%	-0.8%	-10.0%	23.9%	5.2%	6.4%	-34.3%	-13.0%								
CY03	-5.9%	0.2%	1.5%	1.0%	29.5%	-1.9%	8.3%	9.8%	-24.9%	4.0%	3.6%	-7.1%								
CY04	-4.2%	7.3%	6.1%	2.7%	-2.7%	5.4%	14.4%	-0.7%	0.9%	6.0%	-0.6%	8.1%								
CY05	30.7%	7.1%	1.9%	13.3%	26.3%	-1.7%	10.2%	21.2%	51.2%	14.8%	-3.8%	1.4%								
CY06	2.6%	-2.5%	-3.9%	2.8%	10.6%	-10.7%	-2.2%	2.0%	-2.4%	9.0%	-4.9%	1.4%								
CY07	-4.2%	-3.0%	-5.8%	1.3%	-2.0%	-14.2%	3.6%	10.3%	-4.7%	6.1%	-10.2%	-12.2%								
CY08	9.0%	-3.9%	14.7%	58.4%	19.9%	-4.6%	18.2%	69.0%	1.6%	-10.0%	18.9%	59.1%								
CY09	-7.1%	-24.9%	9.5%	13.9%	-9.6%	-27.7%	13.2%	19.3%	-16.3%	-18.5%	3.4%	13.8%								
CY10	13.4%	13.1%	-3.3%	11.4%	16.3%	16.6%	-10.4%	12.5%	5.4%	15.7%	5.4%	22.0%								
CY11	0.4%	-0.2%	3.3%	17.4%	1.3%	-6.0%	3.7%	24.3%	-4.2%	7.8%	5.7%	11.8%								
CY12	-3.8%	1.5%	6.9%	11.7%	-7.5%	3.5%	9.9%	9.3%	-3.3%	2.1%	6.2%	16.8%								
CY13	7.2%	1.7%	6.4%	-1.6%	10.3%	-2.2%	-0.6%	-1.8%	-0.2%	10.4%	17.8%	-2.3%								
CY14	-3.4%	-1.4%	5.3%	21.9%	-6.4%	-9.0%	13.4%	22.5%	-1.3%	8.9%	-0.6%	22.2%								
CY15	5.2%	-0.6%	5.2%	13.1%	20.9%	-7.6%	14.7%	11.1%	-11.6%	9.4%	-3.2%	13.6%								
CY16	1.9%				5.5%				-4.1%											
CY17-CY21																				
CY22		5.3%	-9.0%	14.9%		2.4%	1.8%	-3.8%		10.7%	-27.1%	59.0%		2.1%	2.7%	-6.6%		-1.0%	1.0%	0.4%
CY23	-12.6%	6.6%	19.4%	2.2%	-12.0%	7.0%	4.5%	12.4%	-13.4%	6.2%	41.1%	-8.8%	2.1%	1.7%	5.7%	4.7%	-2.6%	-5.5%	49.2%	0.8%
CY24	12.6%	1.2%	-10.1%	16.5%	9.4%	-9.1%	10.1%	12.8%	16.9%	14.0%	-30.1%	22.1%	1.9%	0.9%	5.0%	1.4%	2.1%	-12.7%	-4.0%	-2.5%
CY25	26.2%	-15.1%	7.8%	9.4%	4.7%	-3.6%	6.0%	18.9%	57.3%	-26.2%	10.0%	-1.9%	7.5%	11.9%	4.7%		-4.3%	0.3%	0.6%	
CY26E	20.0%	-13.5%	11.9%	8.9%	-9.0%	6.6%	-6.3%	11.0%	62.2%	-29.9%	34.7%	7.0%								
All-time Avg	**5.1%**	**0.3%**	**3.0%**	**11.4%**	**5.1%**	**-2.7%**	**6.6%**	**14.6%**	**6.0%**	**3.7%**	**2.3%**	**11.9%**	**3.8%**	**4.2%**	**4.5%**	**-0.2%**	**-1.6%**	**-4.7%**	**11.7%**	**-0.4%**
Post-IPO Avg	11.6%	-3.1%	4.0%	10.8%	-1.7%	0.6%	3.2%	10.1%	30.8%	-5.0%	5.7%	17.6%	3.8%	4.2%	4.5%	-0.2%	-1.6%	-4.7%	11.7%	-0.4%
Median	3.9%	0.2%	5.2%	11.5%	3.1%	-2.2%	6.0%	12.5%	-0.8%	6.4%	3.4%	9.9%	2.1%	1.9%	4.9%	1.4%	-2.6%	-3.3%	0.8%	0.4%

	R&D % Q/Q				SG&A % Q/Q				Adj. Op Margin bps Q-Q				Working Capital $MMs			
	CQ1 FQ4	CQ2 FQ1	CQ3 FQ2	CQ4 FQ3	CQ1 FQ4	CQ2 FQ1	CQ3 FQ2	CQ4 FQ3	CQ1 FQ4	CQ2 FQ1	CQ3 FQ2	CQ4 FQ3	CQ1 FQ4	CQ2 FQ1	CQ3 FQ2	CQ4 FQ3
CY00		12.4%	34.4%	5.2%		40.6%	-11.0%	51.6%		-248 bp	-179 bp	+77 bp				
CY01	12.5%	8.0%	1.5%	0.7%	-24.5%	32.0%	-3.6%	0.6%	+208 bp	-101 bp	-3 bp	+20 bp				
CY02	17.7%	14.3%	-11.4%	-11.6%	13.3%	-3.2%	-3.5%	-13.1%	+257 bp	-41 bp	-1,392 bp	-161 bp				
CY03	6.5%	0.9%	5.3%	-15.4%	-7.3%	4.8%	4.2%	-3.0%	-299 bp	+75 bp	+53 bp	-1,416 bp				
CY04	-2.1%	1.6%	7.7%	-17.5%	-15.4%	1.6%	-0.6%	6.3%	+1,992 bp	+101 bp	+528 bp	-39 bp				
CY05	32.1%	9.2%	-8.3%	13.3%	36.3%	2.1%	5.8%	7.9%	+309 bp	-62 bp	-53 bp	+369 bp				
CY06	-2.2%	-5.1%	0.5%	15.5%	5.0%	-0.3%	-0.4%	11.9%	+59 bp	-335 bp	-221 bp	-106 bp				
CY07	-10.9%	-8.2%	-6.2%	0.8%	-4.3%	-7.4%	-3.2%	6.5%	+137 bp	+163 bp	-17 bp	-29 bp				
CY08	11.9%	-6.1%	7.0%	42.3%	2.7%	-1.1%	8.7%	48.9%	-90 bp	+114 bp	+128 bp	+158 bp				
CY09	29.2%	-4.7%	-9.6%	11.3%	-3.4%	-13.4%	-3.2%	7.9%	-512 bp	-480 bp	+703 bp	+557 bp				
CY10	10.3%	9.7%	-3.7%	10.1%	-1.2%	11.5%	0.1%	17.1%	+268 bp	+273 bp	-496 bp	+341 bp				
CY11	-4.3%	-1.1%	4.2%	8.2%	-13.5%	-3.9%	15.5%	13.5%	+131 bp	+200 bp	+16 bp	+362 bp				
CY12	2.8%	0.8%	-1.6%	12.1%	-11.3%	-2.7%	4.2%	16.0%	-371 bp	+189 bp	-181 bp	+198 bp				
CY13	3.1%	2.9%	-4.9%	4.3%	2.8%	-1.6%	7.4%	5.6%	+391 bp	-190 bp	-1 bp	+22 bp				
CY14	0.1%	-1.9%	4.6%	13.7%	-6.3%	-4.5%	0.8%	25.7%	+159 bp	-150 bp	+153 bp	+100 bp				
CY15	12.5%	5.7%	7.0%	12.1%	-4.4%	-3.4%	10.6%	16.0%	+21 bp	+122 bp	-120 bp	-120 bp				
CY16	11.3%				-7.8%				-184 bp							
CY17-CY21																
CY22		-35.4%	15.2%	8.0%		-51.4%	3.3%	-12.7%		+4,764 bp	-1,149 bp	+849 bp		-537	-171	+154
CY23	32.6%	-32.7%	16.6%	-0.4%	81.9%	-45.0%	-16.7%	36.5%	-4,008 bp	+4,045 bp	+735 bp	-383 bp	+424	-402	-224	-20
CY24	16.4%	-8.6%	8.1%	8.7%	17.8%	-8.6%	1.8%	-	-168 bp	+622 bp	-972 bp	+634 bp	+451	-726	-380	-69
CY25	5.7%	18.9%	5.9%	9.9%	14.0%	-8.7%	1.7%	12.1%	+782 bp	-1,365 bp	+202 bp	-49 bp	-290	-89	+135	-179
CY26E	-3.7%	7.5%	3.2%	7.0%	18.1%	-15.8%	11.8%	5.5%	+840 bp	-787 bp	+302 bp	+131 bp	-469	+389	-461	-145
All-time Avg	**9.1%**	**-0.6%**	**3.6%**	**6.6%**	**4.6%**	**-3.7%**	**1.6%**	**12.8%**	**-4 bp**	**+329 bp**	**-94 bp**	**+69 bp**	**+29**	**-273**	**-220**	**-29**
Post-IPO Avg	12.8%	-10.1%	9.8%	6.6%	33.0%	-25.9%	0.4%	9.0%	-638 bp	+1,456 bp	-177 bp	+263 bp	+29	-273	-220	-29
Median	8.4%	0.9%	4.2%	8.4%	-2.3%	-3.2%	1.7%	9.9%	+134 bp	+75 bp	-3 bp	+49 bp	+67	-402	-224	-45

Source: Company reports, UBS research

VALUATION

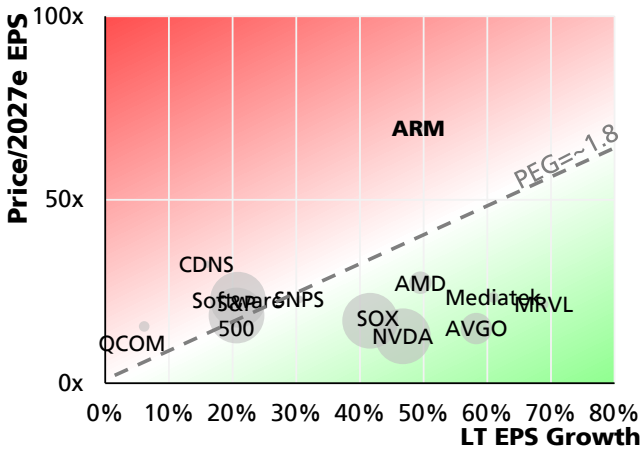
We lower our price target from $320 to $270, applying a 70x P/E multiple (vs. prior 78x), which is based on our target PEG of 1.8x (no change) and a LT EPS CAGR for ARM at 38.2% (vs. prior 42.2%), on our CY28E EPS of $3.81 (vs. prior $4.14).

Figure 9: Arm Valuation

Valuation	New	Old
Non-GAAP EPS		
C2028	**$ 3.81**	**$ 4.14**
LT EPS Growth (till 2030)	38.2%	42.2%
Target PEG	1.8x	1.8x
P/E	70x	78x
PT	**$ 270**	**$ 320**

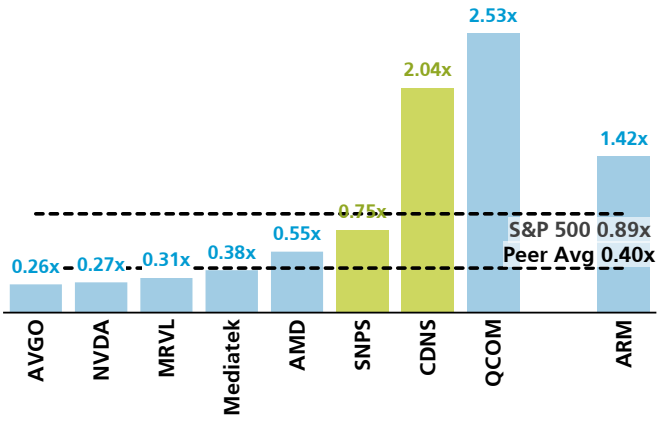
Source: UBS estimates

Figure 10: Compute/EDA Semiconductors' PEG



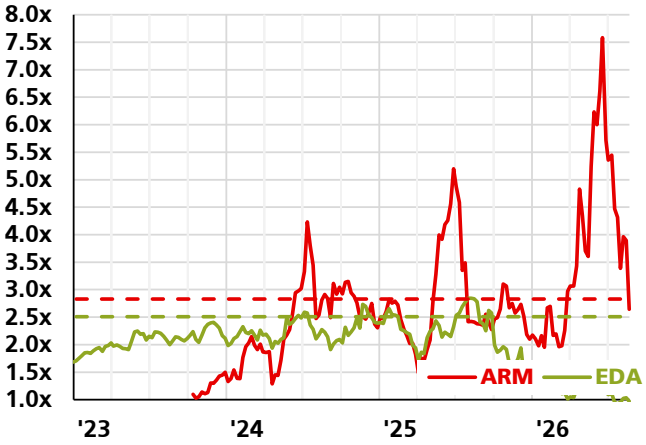
Source: Company reports, UBS estimates, FactSet, Visible Alpha

Figure 11: Compute/EDA Semiconductors' PEG



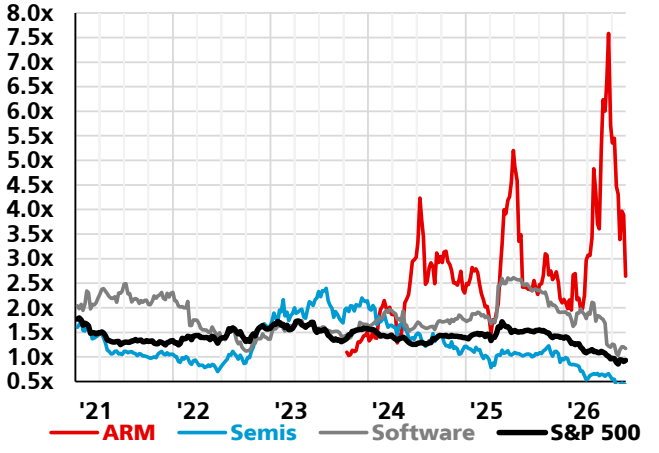
Source: Company reports, UBS estimates, FactSet, Visible Alpha

Figure 12: ARM and EDA PEG History



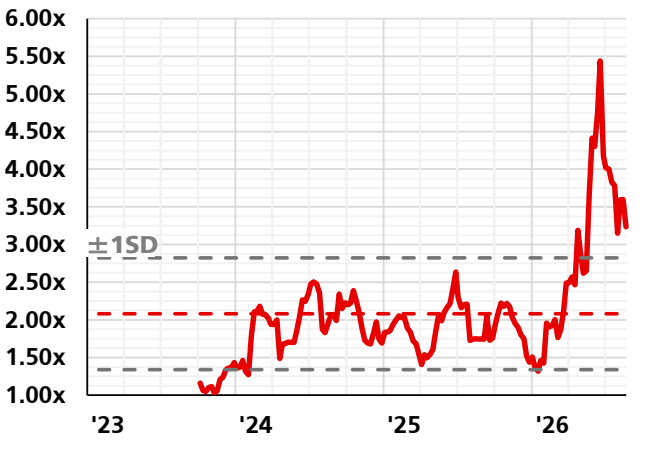
Source: Company reports, UBS, FactSet

Figure 13: ARM and Key Sectors' PEG History



Source: Company reports, UBS, FactSet

Figure 14: Arm and EDA 1-yr Forward P/E LT History



Source: Company reports, UBS, FactSet

Figure 15: Arm Comps

		P/E				PEG		EV/FCF				EV/Sales				EV/EBITDA					
Ticker	Company Name	2024	2025	2026	2027	Growth	PEG	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	Mkt Cap	EV
Semiconductor EDA																					
SNPS	Synopsys	57x	56x	29x	23x	31%	0.76x	61x	64x	35x	29x	12.5x	12.3x	9.5x	8.1x	42x	47x	22x	18x	$88B	$95B
CDNS	Cadence	78x	77x	39x	33x	16%	2.07x	73x	54x	51x	38x	17.7x	16.0x	14.0x	12.1x	52x	45x	29x	25x	$89B	$90B
	Simple Average	**68x**	**67x**	**34x**	**28x**	**23%**	**1.42x**	**67x**	**59x**	**43x**	**33x**	**15.1x**	**14.2x**	**11.7x**	**10.1x**	**47x**	**46x**	**25x**	**22x**	**$88B**	**$93B**
Compute Semiconductors																					
NVDA	Nvidia	49x	38x	23x	14x	47%	0.27x	58x	48x	27x	14x	26.9x	21.1x	12.4x	7.0x	42x	34x	19x	11x	$4,889B	$4,828B
AVGO	Broadcom	137x	78x	26x	16x	58%	0.25x	90x	117x	29x	16x	16.8x	28.9x	13.7x	8.0x	34x	53x	20x	12x	$1,550B	$1,585B
QCOM	Qualcomm	19x	34x	16x	15x	6%	2.48x	26x	21x	18x	17x	5.0x	4.3x	4.2x	3.9x	16x	14x	12x	12x	$177B	$184B
AMD	AMD	125x	81x	63x	30x	42%	0.53x	84x	51x	114x	48x	7.8x	10.0x	15.2x	8.6x	39x	53x	58x	24x	$794B	$788B
INTC	Intel	NM	144x	41x	35x	63%	0.59x	NM	-23x	NM	NM	2.3x	3.5x	5.2x	4.8x	18x	14x	15x	13x	$307B	$320B
2454-TW	MediaTek	21x	22x	50x	24x	61%	0.41x	39x	36x	129x	31x	3.9x	3.4x	8.3x	4.8x	17x	16x	41x	20x	$181B	$176B
MRVL	Marvell	110x	26x	42x	24x	69%	0.34x	85x	60x	60x	32x	17.6x	8.7x	12.9x	7.6x	NM	27x	32x	19x	$138B	$140B
	Simple Average	**74x**	**62x**	**37x**	**24x**	**44%**	**0.86x**	**65x**	**47x**	**58x**	**28x**	**12.3x**	**12.0x**	**10.6x**	**7.2x**	**33x**	**34x**	**27x**	**17x**	**$912B**	**$912B**
	Weighted Average	74x	53x	29x	17x	49%	0.36x	64x	58x	39x	18x	20.9x	19.8x	12.4x	7.2x	37x	38x	23x	13x		
	Median	79x	38x	41x	24x	58%	0.41x	71x	48x	44x	24x	7.8x	8.7x	12.4x	7.0x	26x	27x	20x	13x		
ARM	ARM	NM	179x	95x	72x	49%	1.43x	NM	162x	133x	76x	27.7x	32.2x	36.4x	27.2x	NM	139x	74x	56x	$207B	$205B

Source: Company reports, UBS estimates, FactSet, Visible Alpha

Arm Holdings PLC (ARM.O)

Income Statement (US$m)	03/24	03/25	03/26	03/27E	%ch	03/28E	%ch	03/29E	03/30E	03/31E
Revenues	**3,233**	**4,007**	**4,920**	**6,227**	*26.6*	**8,424**	*35.3*	**11,153**	**16,022**	**25,482**
Gross profit	3,131	3,926	4,832	6,035	*24.9*	7,462	*23.6*	9,600	12,768	17,703
EBITDA (UBS)	**1,566**	**2,060**	**2,364**	**3,144**	*33.0*	**3,910**	*24.4*	**5,433**	**7,992**	**12,413**
Depreciation & amortisation	(158)	(183)	(249)	(319)	*-28.3*	(394)	*-23.2*	(458)	(573)	(745)
EBIT (UBS)	**1,408**	**1,877**	**2,115**	**2,825**	*33.5*	**3,517**	*24.5*	**4,975**	**7,419**	**11,668**
Associates & investment income	(20)	(237)	14	108	*NM*	0	*-*	0	0	0
Other non-operating income	31	247	(18)	(107)	*NM*	0	*-*	0	0	0
Net interest	110	116	111	121	*9.0*	179	*48.2*	261	361	487
Exceptionals (incl goodwill)	(1,317)	(1,283)	(1,065)	(1,655)	*-55.4*	(2,005)	*-21.2*	(2,436)	(3,171)	(4,537)
Pre-tax profit	**212**	**720**	**1,157**	**1,292**	*11.6*	**1,691**	*30.9*	**2,799**	**4,609**	**7,618**
Tax	94	72	(253)	(318)	*-25.9*	(554)	*-74.1*	(785)	(1,167)	(1,823)
Profit after tax	**306**	**792**	**904**	**973**	*7.6*	**1,136**	*16.8*	**2,014**	**3,442**	**5,795**
Preference dividends	0	0	0	0	*-*	0	*-*	0	0	0
Minorities	0	0	0	0	*-*	0	*-*	0	0	0
Extraordinary items	0	0	0	0	*-*	0	*-*	0	0	0
Net earnings (local GAAP)	**306**	**792**	**904**	**973**	*7.6*	**1,136**	*16.8*	**2,014**	**3,442**	**5,795**
Net earnings (UBS)	**1,333**	**1,743**	**1,889**	**2,505**	*32.6*	**3,142**	*25.4*	**4,450**	**6,613**	**10,332**
Tax rate (%)	(44.3)	(10.0)	21.9	24.7	*12.8*	32.8	*33.0*	28.1	25.3	23.9

Per Share (US$)	03/24	03/25	03/26	03/27E	%ch	03/28E	%ch	03/29E	03/30E	03/31E
EPS (UBS, diluted)	1.28	1.64	1.77	2.32	*31.1*	2.89	*24.5*	4.06	5.98	9.23
EPS (local GAAP, diluted)	0.29	0.75	0.85	0.90	*6.4*	1.04	*16.0*	1.84	3.11	5.17
EPS (UBS, basic)	1.30	1.66	1.78	2.34	*31.5*	2.92	*24.5*	4.10	6.03	9.31
DPS (net) (US$)	0.00	0.00	0.00	0.00	*-*	0.00	*-*	0.00	0.00	0.00
Cash EPS (UBS, diluted) [1]	1.43	1.81	2.00	2.61	*30.6*	3.25	*24.3*	4.48	6.49	9.89
Book value per share	5.09	6.47	7.81	9.86	*26.3*	12.70	*28.8*	16.69	22.57	31.61
Average shares (diluted)	1,040	1,063	1,068	1,080	*1.2*	1,088	*0.7*	1,097	1,107	1,120

Balance Sheet (US$m)	03/24	03/25	03/26	03/27E	%ch	03/28E	%ch	03/29E	03/30E	03/31E
Cash and equivalents	2,923	2,825	3,601	4,235	*17.6*	6,255	*47.7*	9,613	13,452	20,043
Other current assets	1,274	2,005	2,635	3,321	*26.1*	4,134	*24.5*	4,676	7,181	10,387
Total current assets	**4,197**	**4,830**	**6,236**	**7,556**	*21.2*	**10,390**	*37.5*	**14,288**	**20,633**	**30,430**
Net tangible fixed assets	215	394	841	1,284	*52.6*	1,882	*46.6*	2,569	3,468	4,792
Net intangible fixed assets	1,777	1,771	1,853	2,081	*12.3*	2,045	*-1.7*	2,054	2,080	2,138
Investments / other assets	1,738	1,937	1,773	2,139	*20.6*	2,139	*0.0*	2,139	2,139	2,139
Total assets	**7,927**	**8,932**	**10,703**	**13,060**	*22.0*	**16,456**	*26.0*	**21,051**	**28,320**	**39,498**
Trade payables & other ST liabilities	1,505	929	1,040	1,160	*11.5*	1,414	*21.9*	1,559	2,215	3,062
Short term debt	0	0	0	0	*-*	0	*-*	0	0	0
Total current liabilities	**1,505**	**929**	**1,040**	**1,160**	*11.5*	**1,414**	*21.9*	**1,559**	**2,215**	**3,062**
Long term debt	0	0	0	0	*-*	0	*-*	0	0	0
Other long term liabilities	1,127	1,164	1,377	1,353	*-1.7*	1,353	*0.0*	1,353	1,353	1,353
Preferred shares	0	0	0	0	*-*	0	*-*	0	0	0
Total liabilities (incl pref shares)	**2,632**	**2,093**	**2,417**	**2,513**	*4.0*	**2,767**	*10.1*	**2,912**	**3,568**	**4,415**
Common s/h equity	**5,295**	**6,839**	**8,286**	**10,547**	*27.3*	**13,689**	*29.8*	**18,139**	**24,752**	**35,083**
Minority interests	0	0	0	0	*-*	0	*-*	0	0	0
Total liabilities & equity	**7,927**	**8,932**	**10,703**	**13,060**	*22.0*	**16,456**	*26.0*	**21,051**	**28,320**	**39,498**

Cash Flow (US$m)	03/24	03/25	03/26	03/27E	%ch	03/28E	%ch	03/29E	03/30E	03/31E
Net income (before pref divs)	306	792	904	973	*7.6*	1,136	*16.8*	2,014	3,442	5,795
Depreciation & amortisation	158	183	249	319	*28.3*	394	*23.2*	458	573	745
Net change in working capital	(195)	(1,465)	(602)	(649)	*-7.9*	(559)	*14.0*	(397)	(1,849)	(2,359)
Other operating	821	887	973	1,511	*55.3*	2,005	*32.7*	2,436	3,171	4,537
Operating cash flow	**1,090**	**397**	**1,524**	**2,154**	*41.3*	**2,977**	*38.2*	**4,511**	**5,337**	**8,717**
Tangible capital expenditure	(92)	(219)	(545)	(688)	*-26.3*	(927)	*-34.6*	(1,115)	(1,442)	(2,039)
Intangible capital expenditure	(51)	(20)	(30)	(28)	*6.3*	(29)	*-3.8*	(39)	(56)	(88)
Net (acquisitions) & disposals	0	0	0	0	*-*	0	*-*	0	0	0
Other investing	(373)	204	250	121	*-51.6*	0	*-*	0	0	0
Investing cash flow	**(516)**	**(35)**	**(325)**	**(595)**	*-83.2*	**(956)**	*-60.5*	**(1,154)**	**(1,497)**	**(2,127)**
Equity dividends paid	0	0	0	0	*-*	0	*-*	0	0	0
Share issues / (buybacks)	0	0	0	0	*-*	0	*-*	0	0	0
Other financing	(208)	(202)	(548)	(439)	*19.9*	0	*-*	0	0	0
Change in debt & pref shares	0	0	0	0	*-*	0	*-*	0	0	0
Financing cash flow	**(208)**	**(202)**	**(548)**	**(439)**	*19.9*	**0**	*-*	**0**	**0**	**0**
Cash flow inc/(dec) in cash	**366**	**160**	**651**	**1,120**	*72.0*	**2,021**	*80.5*	**3,357**	**3,840**	**6,591**
FX / non cash items	342	(258)	125	(486)	*-*	0	*-*	0	0	0
Balance sheet inc/(dec) in cash	**708**	**(98)**	**776**	**634**	*-18.4*	**2,021**	*218.9*	**3,357**	**3,840**	**6,591**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Arm Holdings PLC (ARM.O)

Valuation (x)	03/24	03/25	03/26	03/27E	03/28E	03/29E	03/30E	03/31E
P/E (local GAAP, diluted)	NM	NM	NM	NM	NM	NM	61.7	37.1
P/E (UBS, diluted)	62.0	83.3	75.9	82.7	66.4	47.3	32.1	20.8
P/CEPS	54.8	74.5	66.7	72.6	58.5	42.5	29.3	19.2
Equity FCF (UBS) yield %	1.2	0.1	0.7	0.7	1.0	1.6	1.9	3.2
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/BV	15.6	21.1	17.2	19.5	15.1	11.5	8.5	6.1
EV/revenues (core)	NM	NM	NM	NM	NM	NM	NM	7.8
EV/EBITDA (UBS core)	50.0	68.0	58.7	63.3	50.5	36.4	25.0	16.1
EV/EBIT (core)	55.6	74.6	65.6	70.4	56.2	39.7	26.9	17.1
EV/OpFCF (core)	48.4	42.6	58.0	64.7	56.3	42.3	23.9	15.8
EV/op. invested capital	57.1	55.1	35.8	39.8	31.5	26.8	21.4	15.9

Enterprise value (US$m)	03/24	03/25	03/26	03/27E	03/28E	03/29E	03/30E	03/31E
Market cap.	81,644	143,420	142,365	203,500	203,500	203,500	203,500	203,500
Net debt (cash)	(2,569)	(2,874)	(3,213)	(3,918)	(5,245)	(5,245)	(3,397)	(3,397)
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**79,075**	**140,546**	**139,152**	**199,582**	**198,255**	**198,255**	**200,103**	**200,103**
Non core assets	(741)	(565)	(387)	(599)	(599)	(599)	(599)	(599)
Core enterprise value	**78,334**	**139,981**	**138,765**	**198,983**	**197,656**	**197,656**	**199,504**	**199,504**

Growth (%)	03/24	03/25	03/26	03/27E	03/28E	03/29E	03/30E	03/31E
Revenue	20.7	23.9	22.8	26.6	35.3	32.4	43.7	59.0
EBITDA (UBS)	65.2	31.5	14.8	33.0	24.4	38.9	47.1	55.3
EBIT (UBS)	79.8	33.3	12.7	33.5	24.5	41.5	49.1	57.3
EPS (UBS, diluted)	100.4	27.9	7.9	31.1	24.5	40.5	47.2	54.4
Net DPS	-	-	-	-	-	-	-	-

Margins & Profitability (%)	03/24	03/25	03/26	03/27E	03/28E	03/29E	03/30E	03/31E
Gross profit margin	NM	NM	NM	NM	NM	NM	NM	69.5
EBITDA margin	48.4	51.4	48.0	50.5	46.4	48.7	49.9	48.7
EBIT (UBS) margin	43.6	46.8	43.0	45.4	41.7	44.6	46.3	45.8
Net earnings (UBS) margin	41.2	43.5	38.4	40.2	37.3	39.9	41.3	40.5
ROIC (EBIT)	NM	73.9	54.6	56.4	56.1	67.4	NM	NM
ROIC post tax	NM	65.3	46.4	47.6	47.6	57.3	67.7	NM
ROE (UBS)	28.5	28.7	25.0	26.6	25.9	28.0	30.8	34.5

Capital structure & Coverage (x)	03/24	03/25	03/26	03/27E	03/28E	03/29E	03/30E	03/31E
Net debt / EBITDA	(1.9)	(1.4)	(1.5)	(1.3)	(1.6)	(1.8)	(1.7)	(1.6)
Net debt / total equity %	(55.2)	(41.3)	(43.5)	(40.1)	(45.7)	(53.0)	(54.4)	(57.1)
Net debt / (net debt + total equity) %	NM	(70.4)	(76.9)	(67.1)	(84.2)	NM	NM	NM
Net debt/EV %	(3.2)	(2.0)	(2.3)	(2.0)	(2.6)	(4.0)	(5.8)	(8.4)
Capex / depreciation %	121.1	NM	NM	NM	NM	NM	NM	NM
Capex / revenue %	2.8	5.5	11.1	11.1	11.0	10.0	9.0	8.0
EBIT / net interest	-	-	-	-	-	-	-	-
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-

Revenues by division (US$m)	03/24	03/25	03/26	03/27E	03/28E	03/29E	03/30E	03/31E
Others	3,233	4,007	4,920	6,227	8,424	11,153	16,022	25,482
Total	**3,233**	**4,007**	**4,920**	**6,227**	**8,424**	**11,153**	**16,022**	**25,482**

EBIT (UBS) by division (US$m)	03/24	03/25	03/26	03/27E	03/28E	03/29E	03/30E	03/31E
Others	1,408	1,877	2,115	2,825	3,517	4,975	7,419	11,668
Total	**1,408**	**1,877**	**2,115**	**2,825**	**3,517**	**4,975**	**7,419**	**11,668**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	40.8%
Forecast dividend yield	0.0%
Forecast stock return	40.8%
Market return assumption	9.6%
Forecast excess return	31.2%

Company Description

Arm is headquartered in the UK with R&D and sales offices around the world. The company designs and licenses the proprietary Arm instruction set architecture (ISA) and associated chip design intellectual property. The Arm ISA dates to 1978 and the company to 1990. The Arm ISA is an abstract model that defines how a processor is controlled by software. In exchange Arm receives IP licensing payments during chip development and per-unit royalties while a chip is in production.

Valuation Method and Risk Statement

Because Arm is growing far faster than many of its competitors, we derive our price target based on a PEG methodology which effectively normalizes P/E multiples for growth. We use a 1.8x target PEG, a modest premium to semiconductor peers owing to Arm's restricted float but in line with Software and far below near-peer semiconductor EDA firms. Our LT EPS CAGR for Arm is 38.2%; applying our 1.8x PEG multiple results in a 70x P/E multiple. Then, 70x NTM P/E times 2028E EPS of 3.81 in turn results in a $270 price target.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Arm Holdings PLC

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	3
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	N/A
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	N/A
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	