

Buy

Price: \$138.5 (‘25.08.09)  
Price Target: \$150.50

Company Name	ARM Holdings
Year Founded	1990
Headquarters	Cambridge, UK
Primary Industry	Semiconductor
Market Cap (\$MM)	146,708
Outstanding Shares (MM)	1060

Arm Holdings

(NASDAQ: ARM)

Prospective Margin Compression from Tariffs

2Q25CY in line; 3Q25 EPS guide misses  
U.S. tariffs seen pressuring margins post 3Q25CY  
Strong sales, weakening margins, near-term price consolidation

2Q25CY earnings in line with expectations

Arm Holdings posted 2Q25CY (1Q26FY) revenue of \$1.05B (-15% QoQ, +12% YoY) and operating profit of \$0.41B (-37% QoQ, -8% YoY), in line with Bloomberg consensus. The company signed three additional CSS (Computing Sub System) license deals and expects ARM Neoverse based chips to exceed 50% M/S this year. By segment, license & other revenue was \$468M (-26% QoQ, -1% YoY) and royalty revenue was \$585M (-4% QoQ, +25% YoY). While confident in Neoverse growth, management kept long-term license growth guidance at +8-9% CAGR, below market expectations.

3Q25CY EPS guidance below consensus

3Q25CY guidance calls for revenue of \$1.01 ~ 1.11B (-4% to 5% QoQ, +20% to 30% YoY) and EPS of \$0.29 ~ 0.37 (-17% to +6% QoQ, -3% to +23% YoY), implying weaker profitability versus Bloomberg consensus (\$1.06B Revenue, \$0.35 EPS). Management cited FX headwinds and expected lower royalty revenue due to sluggish smartphone demand.

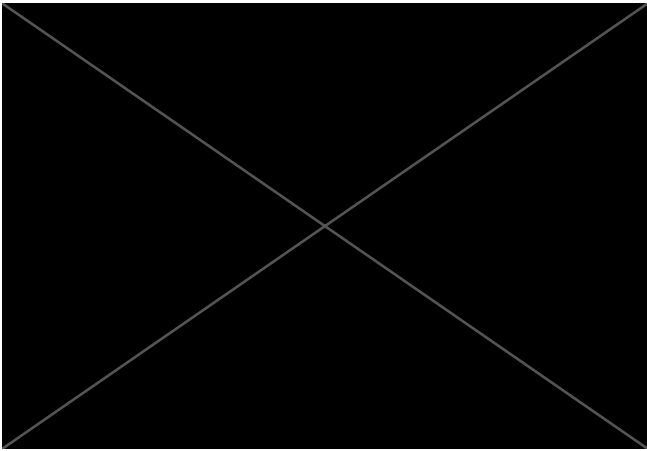
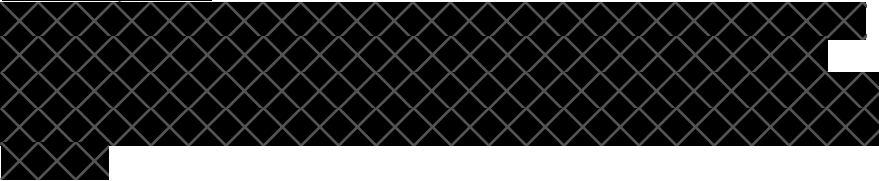
Investors shift focus from Revenue Growth to Margin

Arm Holdings’ earnings call and share price movement indicate that investors are increasingly prioritizing profitability over AI driven revenue growth. This shift reflects the need to access the impact of reciprocal U.S. tariffs on corporate performance beyond 3Q25CY. Despite sustaining YoY revenue growth, Arm’s profitability has begun to deteriorate, suggesting a period of share price consolidation in the near term.

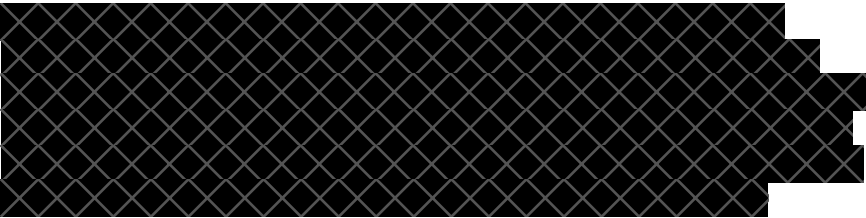
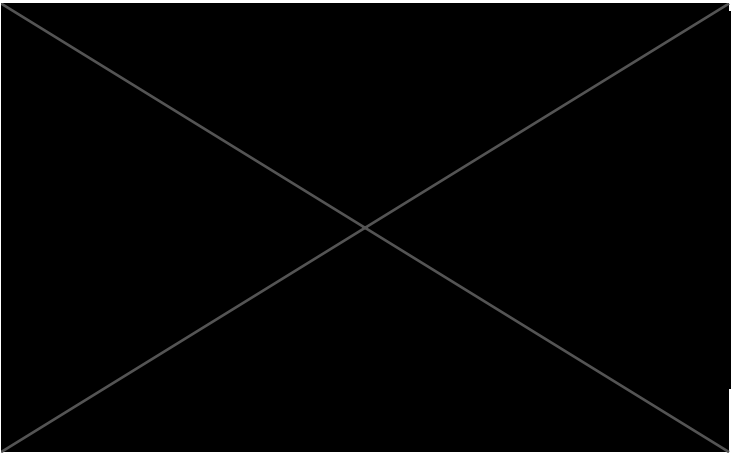
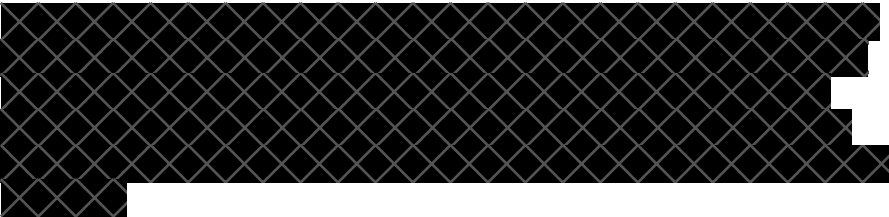
Earnings & Valuation

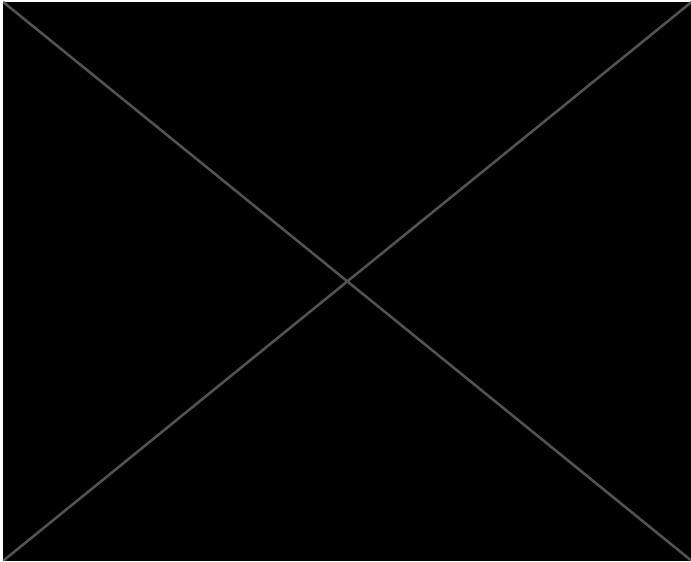
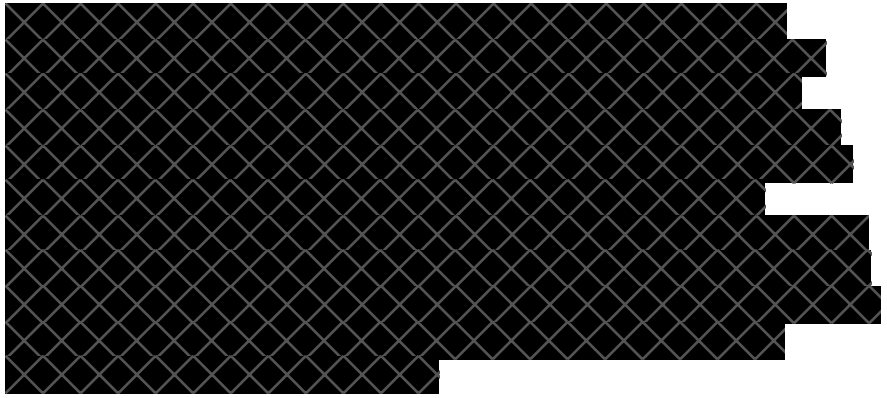
(in \$MM)	FY24	FY25	FY26E	FY27E
Revenue	3,233	4,007.00	4,783	5,802
Operating Profit	1,408	1,871.00	2,067	2,750
OPM (%)	43.6	46.69	43.2	47.4
Net Income	1,324	1,737.00	1,831	2,405
EPS	1.3	1.60	1.8	2.3
Growth Rate (%)	-	23.1	12.5	27.8
PER (Multiple)	418.4	143.30	78.3	59.7
PBR (Multiple)	24.6	16.50	16.2	13.1
ROE (%)	28.3	28.60	21.4	23.9

Market Dynamics

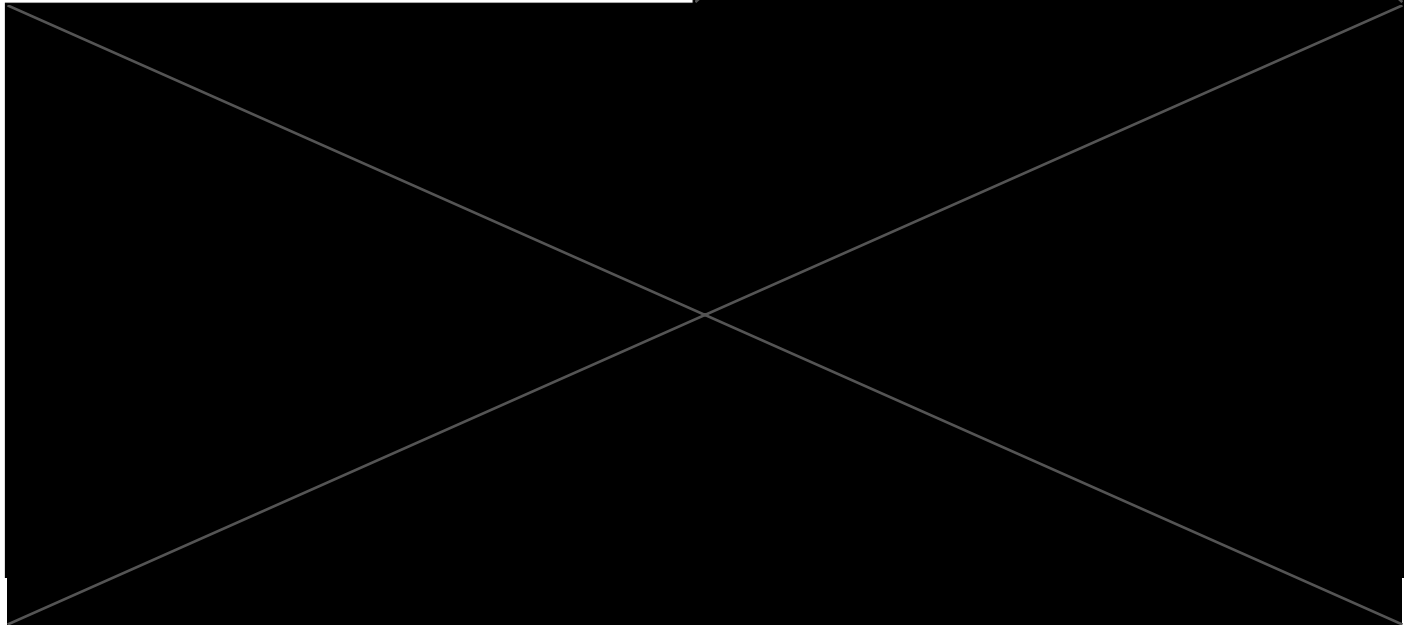
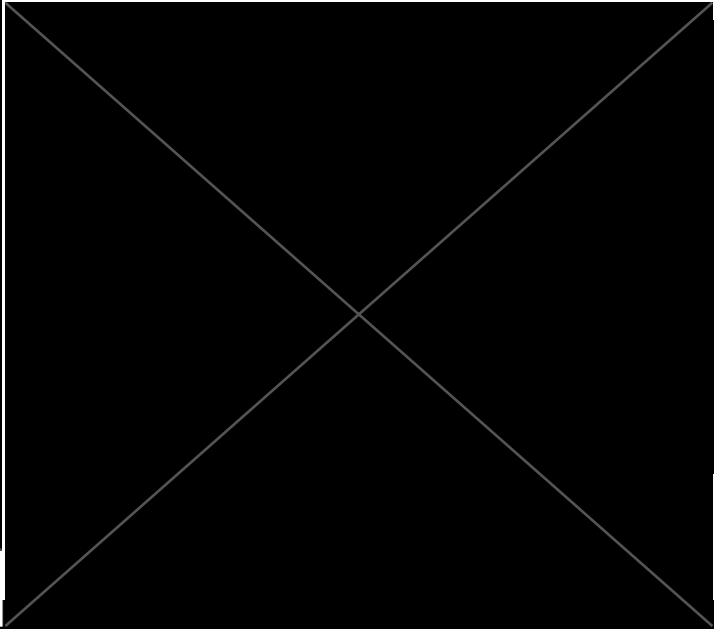


Investment Thesis

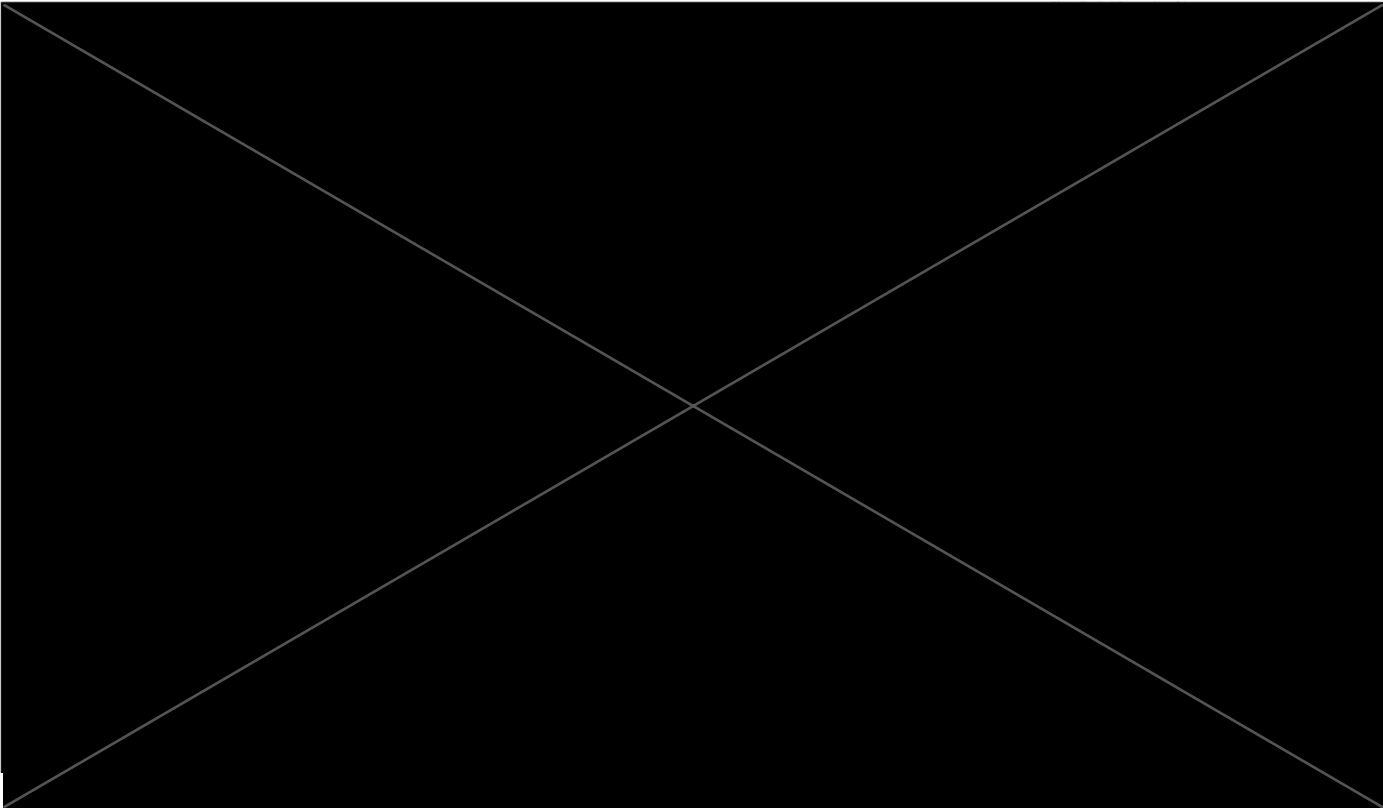




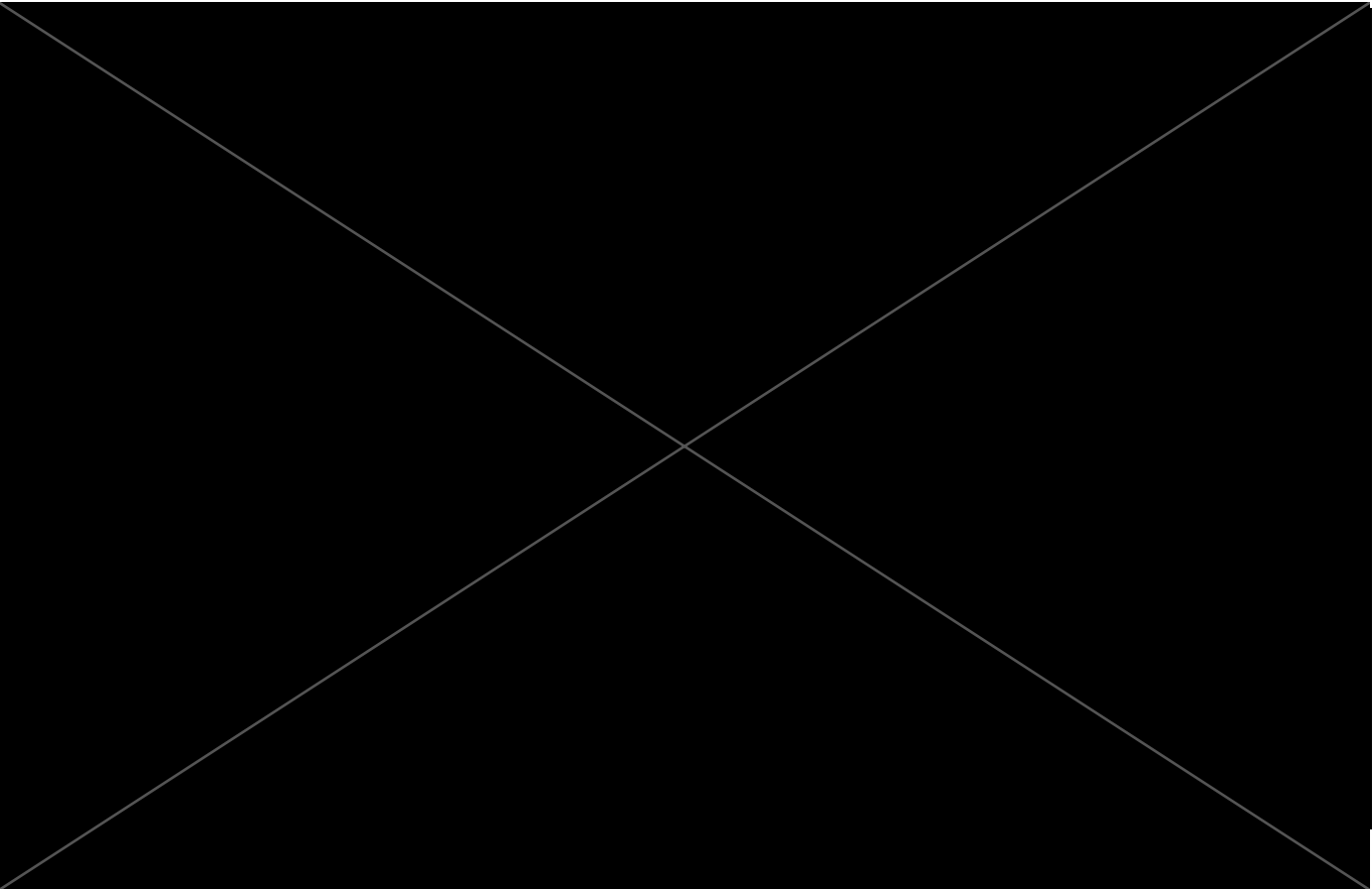
Income Statement (Consolidated)



Cash Flow Statement (Consolidated)

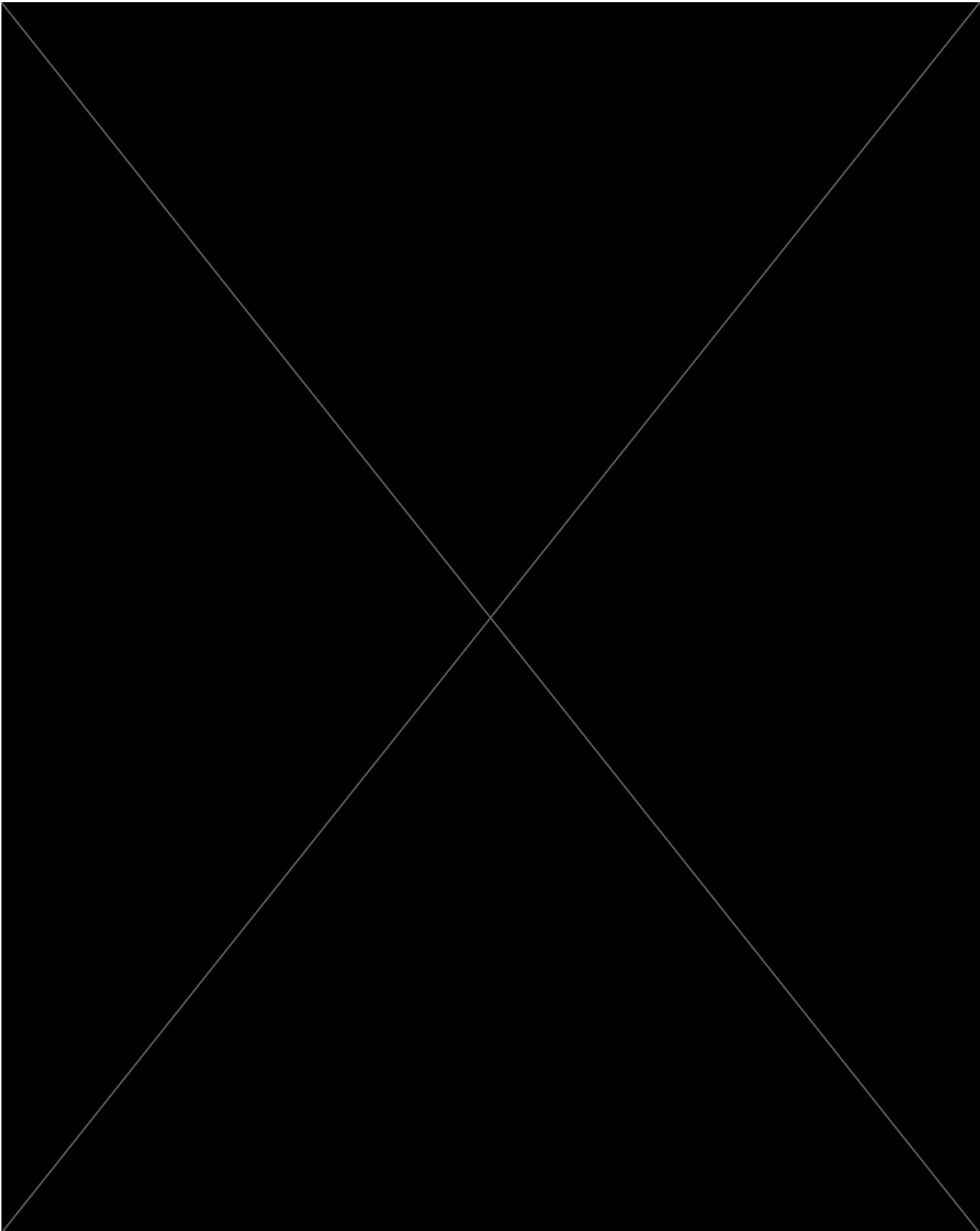


Balance sheet (Consolidated)



# Valuations

## Financial Statements



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