



ARM Holdings: Shaping the Future of Computing

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In the continually evolving world of computing, few companies wield influence like Arm Holdings. Known for its high-performance, power-efficient computer processors, this company has played a major role in the tech revolution over the last two decades by licensing its innovative solutions to a wide range of companies.

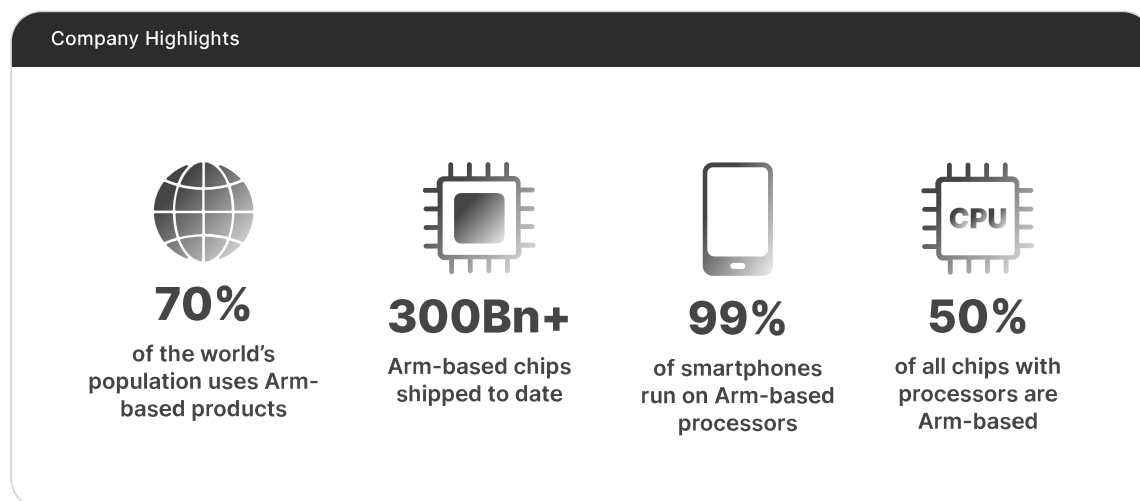
Looking ahead, Arm is likely to continue developing cutting-edge technologies and shape the future of computing. From the smartphones in our pockets to the data centers powering artificial intelligence (AI), its technology is going to be everywhere.

A Dominant Force in the Tech Industry

Arm is a British semiconductor company that is based in Cambridge, England. Founded in 1990, it has become a dominant force in the technology industry in recent decades, particularly in the mobile computing space. To date, more than 300 billion chips¹ built with Arm technology have been shipped globally. And today, around 70%¹ of the global population uses its technology.

Arm specializes in the design of power efficient central processing units (CPUs). A CPU is the electronic circuitry within a computer that executes instructions. You can think of it as the “brain” of the computer. It’s responsible for everything that the computer does, from running simple programs like word processors to more complex tasks such as running video games.

CPUs can be found in a wide range of electronic devices including PCs and laptops, gaming consoles, and medical devices. Where Arm has had a lot of success to date, however, is in mobile computing (i.e. smartphones). Arm recognized the potential of mobile computing early on and invested heavily in developing energy-efficient, low-power processors designed specifically for mobile devices. This gave it a major head start in the industry. As more and more mobile developers adopted Arm’s architecture, it created a powerful network effect. Today, its CPU technology can be found in over 99%¹ of the world’s smartphones.



Source: Arm Holdings, as of May 7, 2025

An Attractive Business Model

Arm has an attractive business model as the company doesn't manufacture CPUs itself. Instead, it licenses its technology to other companies such as **Apple**, **Samsung**, and **Qualcomm**, who use its CPU designs to create their own chips for various devices. As a result of this business model, the company has very high gross profit margins. In fiscal 2024, for example, Arm's gross profit margin was 95%².

This successful business model hasn't gone unnoticed by larger technology companies. Back in 2020 – when Arm was still owned by Japanese tech conglomerate SoftBank Group – chip powerhouse Nvidia tried to buy the company for \$40 billion. This deal didn't end up going through as it was blocked by regulators on antitrust grounds. However, the interest from Nvidia highlighted Arm's potential.

It's worth noting that Arm and Nvidia continue to work together today, despite the failed acquisition attempt. Currently, Nvidia has a 20-year³ architectural license from Arm, which gives it access to a broad range of Arm's high-performance solutions. One notable example of their collaboration is the Nvidia Grace CPU, which utilizes Arm technology. This has been designed for data centers and AI workloads.

Significant Long-Term Growth Potential

In recent years, Arm has generated strong top-line growth on the back of high demand for its CPU technology. Between fiscal 2021 and fiscal 2024, its revenue climbed from \$2.0 billion to \$3.2 billion – a compound annual growth rate (CAGR) of approximately 17%². Looking ahead, there could be more growth to come. Because Arm's compute platforms – which offer a unique combination of performance and efficiency – are now being used in a range of high-growth industries including:

- **Data centers:** Arm's technology is increasingly being used in the cloud computing and data center industries, particularly for servers, which require high-performance compute systems that are power efficient. Currently, its technology is used by all three leading cloud providers – Amazon, Microsoft, and Alphabet. Using Arm technology, Amazon has developed its high-powered Graviton processors for cloud workloads. Meanwhile, Arm technology has also been used in Microsoft's Azure Cobalt 100 processors and Alphabet's Axion processors.
- **Artificial intelligence:** Generative AI is creating demand for more energy-efficient computing systems. Therefore, many AI companies are partnering with Arm in an effort to gain an edge in the AI arms race. For example, **Meta Platforms** is working closely with Arm in the development of its Llama AI models. Using Arm's technology, Meta will be able to run its AI on a wide range of devices including smartphones.
- **The Internet of Things (IoT):** Today, Arm's low-power processors are being used in a wide range of IoT devices, including smartwatches, fitness trackers, smart speakers, smart thermostats, smart lighting, medical devices, and industrial automation/robotics devices. This industry could be a key growth driver for Arm in the years ahead. According to IoT Analytics, the number of connected devices globally is projected to hit 40 billion by 2030, up from around 19 billion today⁴. Therefore, Arm's CPUs are likely to be in high demand in the coming years.
- **Autonomous vehicles:** Arm architecture is uniquely positioned to address the complexity of the hardware and software required within the automotive industry and today Arm is working with nearly a third of the world's largest automotive manufacturers, including the likes of Mercedes-Benz, BMW, and Toyota. Arm is helping these companies reduce time to market for the next generation of software-defined vehicles, so it's likely to play a major role in the autonomous driving revolution.

Overall, Arm appears to have a lot of potential in today's increasingly connected, digital world. Across industries, Arm is building the future of computing. It defines its total addressable market (TAM) as all chips that can contain a processor⁵. So, the sky's the limit in terms of the growth potential here. It's worth pointing out that increasing chip complexity is driving royalty revenue growth for Arm. Therefore, we believe the company is well-positioned to capitalize on the tech revolution and the growth of emerging industries such as AI, high-performance computing, and autonomous vehicles.

Footnotes:

¹Arm official website, Building the Future of Computing, as of May 7, 2025

²LSEG data, as of May 7, 2025

³Electronic Design, NVIDIA Moves Ahead With Arm CPU Plans Even After Deal Falls Apart, as of February 21, 2022

⁴IoT Analytics, State of IoT 2024: Number of connected IoT devices growing 13% to 18.8 billion globally, as of September 3, 2024

⁵SEC, Arm Holdings Limited, As filed with the Securities and Exchange Commission on August 21, 2023

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