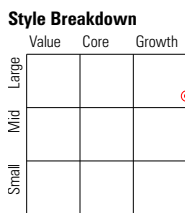


ARM Holdings PLC ARMH

Quote/Snapshot

Stock Type	Last Close Price	Fair Value Est	Morningstar Rating™
—	\$24.64 (8/5/2011)	\$21.00	★★★

Morningstar Investment Style



Valuation 8/5/2011

	Stock	Industry	S&P 500
Price/Earnings	77.50	12.20	13.80
Forward P/E	—	—	12.40
Price/Book	7.20	2.50	1.90
Price/Cash Flow	38.60	8.30	7.70
Price/Sales	15.80	2.20	1.20
Fwd Div Yld %	0.60		2.18

Quick Stats

Morningstar Style	Industry	Sector	Stock Type
Large Growth	Semiconductors	Technology	—
Price/Cash Flow	Price/Earnings	Price/Sales	Sales (\$Mil)
38.60	77.50	15.80	717
52-Wk Range	Avg. Volume	Fwd Div Yld	Market Cap (\$Mil)
32.18-14.16	8,048,431 (8/5/2011)	0.60	11,048

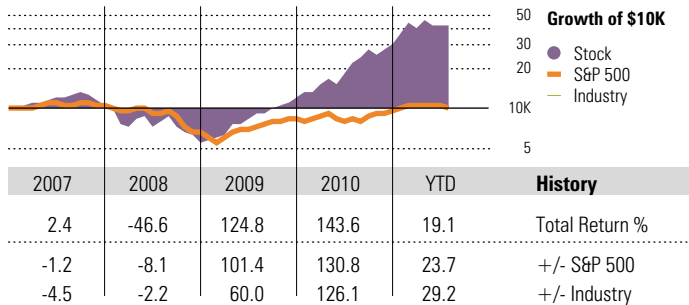
Profitability 3/31/2011

	Stock	Industry	S&P 500
ROA %	8.70	14.80	9.30
ROE %	10.00	22.30	24.30
Net Margin %	20.40	19.20	13.80
Asset Turnover	0.40	0.80	0.80
Fin Leverage	1.20	1.60	4.40
Sales/Employee \$Thousands	—	—	—

Growth 12/31/2010

	% 1 Yr	% 3 Yr	S&P 500
Sales	33.30	16.30	6.60
Net Income	112.60	32.80	6.30
EPS	106.50	33.30	6.70
Equity/Share	21.10	22.00	8.10
Dividends	9.20	23.00	3.20

Performance



Morningstar Stock Grades

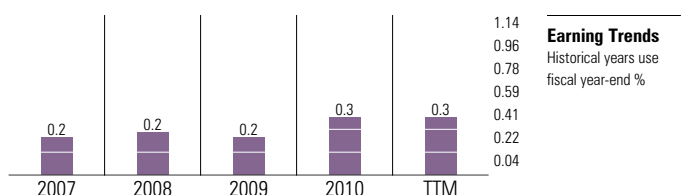
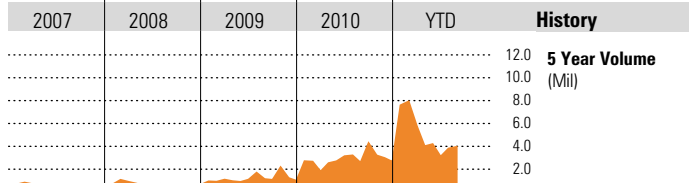
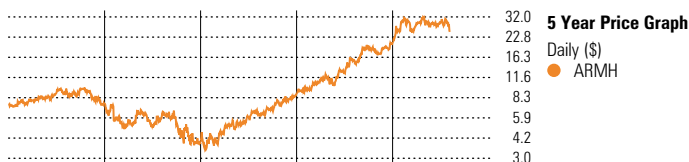
Growth	C
Profitability	C
Financial Health	—

Industry Peers

	Market Cap \$Mil	TTM Sales \$Mil
Intel Corp	110,229	46,171.00
Taiwan Semiconductor Manufacturing	59,914	14,658.71
Texas Instruments, Inc.	31,572	14,153.00
Broadcom Corporation	18,120	7,363.32
Broadcom Corporation	16,050	7,363.32

Fund Ownership

Fund	Morningstar Rating™	% Share Held	% Fund Assets
Fidelity Contrafund	★★★★★	2.23	0.37
Calamos Growth & Income A	★★★★★	0.86	2.57
Morgan Stanley Inst Mid Cap Growth I	★★★★★	0.87	1.52
Artisan Mid Cap Inv	★★★★★	0.59	1.25
Ivy Asset Strategy C	★★★★★	0.60	0.26



Operations

What Does This Company Do?

ARM Holdings licenses microprocessor intellectual property and silicon physical layer designs and provides related development software and technologies, which support applications in mobile devices, automobiles, and other electronic products. Most of its customers are semiconductor companies, original design manufacturers, and foundries. The United Kingdom-based company generates more than 80% of its revenue from licensing and royalty income.

Contact Information

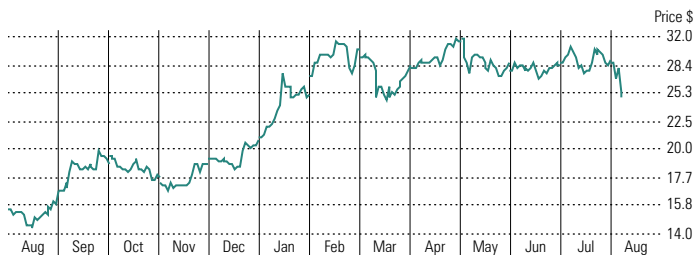
Address	110 Fulbourn Road Cambridge, CB1 9NJ
Phone	44 1223400400
Website	http://www.arm.com
Direct Investment	Yes
Dividend Reinvestment	Yes

ARM Holdings PLC ARMH

Analysis

Stock Type	Last Close Price	Fair Value Est	Morningstar Rating™
—	\$24.64 (8/5/2011)	\$21.00	★★★

Trailing One-Year Price



Analysis by Brian Colello, CPA 2/11/2011

ARM holds an extensive library of microprocessor intellectual property and has particular expertise in low-power, high-performance chip architectures. ARM's IP is the backbone of most processors used in handsets and mobile devices today, and strong tailwinds from the shift to higher-end smartphones and tablets should bode well for ARM in the years ahead. ARM essentially develops the blueprints that allow a variety of the world's leading chipmakers, such as Qualcomm QCOM, to design many of their semiconductors. ARM's IP is the solution of choice for processor chips used in the handset industry, where low power and longer battery lives are critical factors. The firm's IP is also incorporated into numerous chips used in digital cameras, printers, and hard disk drives today. In exchange for its IP, ARM collects both an up-front license fee and ongoing royalties, typically 1%-2% of the price of each ARM-based chip sold. As ARM develops more advanced chip IP over time, it is able to license these latest blueprints to new and existing customers. The source of ARM's narrow economic moat, in our opinion, is the ecosystem surrounding the firm's vast IP portfolio. ARM's licensees typically start with the firm's core IP and modify these blueprints in order to differentiate their chips. Yet, all of these firms would have to make substantial reinvestments in order to start from scratch and cut ARM out of the loop. Similarly, the network of handset firms, chipmakers, and software developers around ARM-based designs has increased ARM's stickiness in the mobile market. Just as Intel's INTC chips dominate the PC market, ARM-based chips are found in about 85% of handsets today. Perhaps more important, ARM still has plenty of room to see explosive growth from the mobile end market in the years ahead. Higher-end smartphones require greater, more advanced semiconductor content, which allows ARM to earn 5-8 times greater royalties from the sale of a smartphone than a basic handset. We don't see the shift toward smartphones slowing anytime soon, and we expect ARM's IP to continue to make these all-in-one devices possible. Meanwhile, ARM seems poised to take a chunk of the PC-like tablet market, as these devices also rely on low-power processing. As device makers seek to transfer their smartphone operating systems into tablets, ARM's interoperability could give the firm a leg up on competitors. Finally, ARM has some promising opportunities to supply IP for chips used in nonmobile devices, such as set-top boxes, digital TVs,

and other products that seek lower energy consumption and Internet connectivity. Nonetheless, ARM still faces some challenges, not the least of which is a collision course with Intel in the mobile market. While ARM and its customers try to pack more processing punch into its low-power chips, Intel is striving to reduce the energy usage of its high-horsepower x86 chips. Intel's lower-power Atom chips aren't ready for prime time today, but given Intel's massive size and scale in the chip industry, we wouldn't count the company out in the mobile market. Similarly, high expectations are already baked in for the smartphone and tablet markets, and just as ARM can generate hefty profits if these markets take off in the years ahead, ARM's profitability could come crashing down if the tablet hype, in particular, cools off.

Analyst Note by Brian Colello, CPA 7/26/2011

ARM Holdings ARMH reported second-quarter earnings and gave investors a third-quarter outlook that was consistent with our expectations. Revenue was \$190 million, up 2% sequentially and up 18% from the year-ago quarter. Processor licensing revenue was \$58 million, up 12% sequentially thanks to a handful of new licensing deals for next-generation processors. Meanwhile, ongoing processor royalty revenue was \$84 million, down 5% sequentially. ARM's royalty revenue is recorded on a one-quarter lag, so June revenue relates to sales of processors in the March quarter, which is a slow period for the mobile chip industry as handset manufacturing activity dips after the holiday season. Chip unit shipments that use ARM's intellectual property (IP) were up 2% sequentially. Mobile chip shipments were down, again due to seasonal weakness, but the firm saw about 25% growth in embedded chips, like microcontrollers, as ARM continues to make inroads into nonmobile end markets. ARM also continues to benefit from operating leverage and a minimalist cost structure, as higher sales levels enabled the firm to earn a 27% operating margin this quarter, up from 25% in the March quarter. Looking ahead to the second half of the year, ARM hinted that revenue would be in line with current market expectations, which implies decent sales growth in the coming months. The firm admitted, however, that its visibility into the fourth quarter is a bit cloudy, and that current Wall Street consensus estimates are a bit aggressive. Again, ARM likely will benefit from its enviable position as the leading IP provider in the handset and tablet processor markets. Meanwhile, we're encouraged by the company's embedded chip growth. Even though chips such as microcontrollers carry lower average selling prices (ASPs), these chips are used in a wide range of applications and could help support ARM's revenue if the mobile market were to ever take a turn for the worse. All in all, we continue to believe that ARM will generate robust revenue growth in the years ahead. However, we also don't see the stock as attractively valued today, as we continue to take a more cautious stance around ARM's prospects in the PC market versus Intel INTC, as well as the firm's ability to significantly boost the royalty rates that it charges its chipmaking customers over time.

ARM Holdings PLC ARMH

Analysis continued

Stock Type	Last Close Price	Fair Value Est	Morningstar Rating™
—	\$24.64 (8/5/2011)	\$21.00	★★★

Valuation

Fair Value Estimate	\$21.00
Stock Price	\$29.64
Consider Buying	10.50
Consider Selling	42.00
Uncertainty Risk	NA
Economic Moat	Narrow
Stewardship Grade	NA

We are raising our fair value estimate for ARM Holdings to \$21 per ADR from \$16, based upon improved revenue growth assumptions for the firm. This new fair value implies 2011 fiscal-year price/earnings of 53 times, an enterprise value/EBITDA of 51 times, and a free cash flow yield of 2%. We project 20% revenue growth from ARM in 2011, up from our prior estimate of 9%, due to higher licensing fees from agreements with a variety of chipmakers and technology firms. We also now project that ARM will be able to modestly increase its overall royalty rate over time. Longer-term, we project ARM's revenue to grow by 13% per year from 2012 to 2015. We project ARM's royalties from mobile processors to grow by 20% per year, driven by the strong secular shift toward smartphones in the handset market, as well as strong adoption of tablets as either a replacement for low-end PCs or as a third device (along with a PC and handset) in the home. As a low capital-intensity business, we project that ARM will benefit from operating leverage in the coming years. We project mid-20% operating margins in 2011 but expect margins to reach the mid-40% range by 2015, as sales explode while operating expenses rise at a modest pace. We have also run a variety of scenario analyses for ARM. Gartner estimates that the tablet market will grow from roughly 17 million units in 2010 to 200 million units by 2014. If, among other factors, tablet unit shipments exceed these optimistic forecasts, and ARM is able to earn higher royalty rates on the processors that power these devices, our fair value estimate would be \$30 per share. In contrast, if tablets "only" grew to about 100 million units by 2014 and royalty rates stay fairly constant, our fair value estimate would be \$7 per share. We are also raising our fair value uncertainty rating for ARM to very high from high, based upon the vast uncertainty around the final shape of the tablet market, as well as the fact that ARM's stock price has tended to spike on acquisition rumors from time to time. As a British company, ARM reports financial results in British pounds. The company earns virtually all revenue in U.S. dollars, but half of the firm's costs are in dollars while the rest are in pounds. Thus, ARM becomes more profitable with a strong U.S. dollar, while dollar weakness weighed on the company's profitability earlier in the decade and could do so again if exchange rates move against the firm. ■■

Other Opinions

Bulls Say

- ▶ ARM's IP model leverages a fixed initial investment into a long-lived revenue stream, which delivers solid returns on invested capital.
- ▶ ARM is exposed to a long-term secular growth trend as Internet-connected devices become more prevalent.
- ▶ The technology supply chain may prefer ARM-based designs over Intel's chips to avoid lock-in to a single vendor source.
- ▶ Rumors consistently swirl that ARM is a takeover target, and we have seen ARM's stock price spike on these rumors from time to time.
- ▶ As ARM's customers race to develop more advanced processors, ARM will benefit from the higher prices associated with these chips, and may even be able to increase its royalty rate on these chips over time.

Bears Say

- ▶ Because ARM's IP is widely available to all licensees, the company is only able to capture a small part of the value pie because its IP does not offer its customers much differentiation.
- ▶ ARM's physical IP division has been a drag on the firm's overall profitability and it could take some time before the division contributes materially to ARM's bottom line.
- ▶ Intel is striving to reduce the power consumption needs of its x86 architecture via its Atom chips, in turn becoming a more credible threat to ARM's ultra-low-power architectures in the mobile chip market.
- ▶ Although ARM will benefit from greater, more-advanced chip content in smartphones in the near term, its customers will probably see price declines over time as the smartphone market matures.

Additional Commentary 2/11/2011

Financial Health

ARM has a solid balance sheet, with more than GBP 275 million in cash and no debt as of December 2010. Furthermore, ARM's IP-based business model requires minimal capital to operate, allowing the company to generate healthy cash flows and profitability over time.

Profile

ARM Holdings licenses microprocessor intellectual property and silicon physical layer designs and provides related development software and technologies, which support applications in mobile devices, automobiles, and other electronic products. Most of its customers are semiconductor companies, original design manufacturers, and foundries. The United Kingdom-based company generates more than 80% of its revenue from licensing and royalty income.

Management

Warren East is an ARM veteran and has held the CEO position since 2001. East previously worked for Texas Instruments TXN for 11 years. Tudor Brown, an ARM co-founder, remains a director and president of the company. Doug Dunn, previously an independent director and CEO of ASM Lithography ASML, became chairman in 2006. Executive compensation appears reasonable to us, as East earned a shade under \$2 million in 2009. However, ARM's 12-member board includes seven executive officers of the company, and although ARM has a lead independent director, we'd prefer to see a higher proportion of independent members of the board.

Risk

ARM's success is closely related to the health of its key licensees in the semiconductor industry, which is highly cyclical. Although ARM has particularly high share in the handset market, a host of competitors such as Intel and MIPS MIPS have their eyes on the mobile

ARM Holdings PLC ARMH

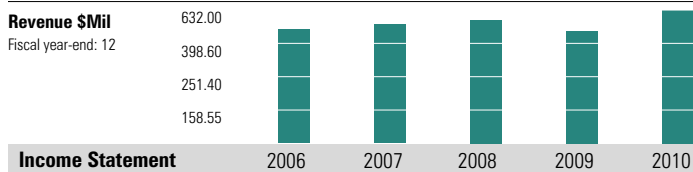
Analysis continued

Stock Type	Last Close Price	Fair Value Est	Morningstar Rating™
—	\$24.64 (8/5/2011)	\$21.00	★★★

phone IP market as well. Intel's Atom platform is an especially credible threat, given the firm's massive size and scale in the industry. Furthermore, ARM faces the risk that the firm's largest customers may develop the size, scale, and wherewithal to internally invest in IP to displace ARM at some point.

ARM Holdings PLC ARMH

Financials



Income Statement

Financials

	2006	2007	2008	2009	2010
Revenue \$Mil	483.00	516.65	551.30	473.87	631.87
Gross Margin %	88.27	89.21	89.00	91.65	93.59
Oper Income \$Mil	82.59	85.40	110.54	70.86	166.22
Operating Margin %	17.10	16.53	20.05	14.95	26.31
Net Income \$Mil	82.87	73.45	80.39	62.83	133.60
Earnings Per Share	0.18	0.16	0.18	0.14	0.30
Dividends \$ \$Mil	-22.69	-36.98	-48.66	-44.99	-53.34
Shares Mil	471	454	429	434	451
Book Value Per Share \$	2.44	2.19	2.38	2.66	3.13

Oper Cash Flow \$Mil	121.19	124.99	185.40	150.01	274.95
Cap Spending \$Mil	-15.71	-15.93	-14.90	-9.37	-9.60
Free Cash Flow \$Mil	105.49	109.05	170.50	140.64	265.35

Profitability

Return on Assets %	6.60	6.08	6.21	4.78	8.91
Return on Equity %	7.38	6.88	7.07	5.47	10.53
Net Margin %	17.16	14.22	14.58	13.26	21.14
Asset Turnover	0.39	0.43	0.47	0.37	0.41
Assets/Equity	1.14	1.13	1.15	1.14	1.21

Financial Health

Working Capital \$Mil	284.17	162.41	125.25	210.89	375.54
Long Term Debt \$Mil	—	—	—	—	—
Total Equity \$Mil	1,125.51	980.11	1,064.43	1,193	1,401
Debt/Equity	—	—	—	—	—

Cash Flow

	2006	2007	2008	2009	2010
Cash From Operations	121.19	124.99	185.40	150.01	274.95
Cap Ex	-15.71	-15.93	-14.90	-9.37	-9.60
Free Cash Flow	105.48	109.06	170.50	140.64	265.35

Cash Flows Ratios

Operating Cash Flow Growth-YOY	40.67	3.14	48.33	-19.09	83.29
Free Cash Flow Growth-YOY	40.25	3.39	56.34	-17.51	88.67
Cap Ex as a % of Sales	3.25	3.08	2.70	1.98	1.52
Free Cash Flow/Sales	21.84	21.11	30.93	29.68	41.99
Free Cash Flow/NetIncome	1.27	1.48	2.12	2.24	1.99

Stock Type	Last Close Price	Fair Value Est	Morningstar Rating™
—	\$24.64 (8/5/2011)	\$21.00	★★★

Balance Sheet

Assets \$Mil	2009	2010	Current
Cash and Equiv	55.70	45.97	118.86
Short Term Investments	178.05	391.05	346.85
Accts Rec	105.37	165.44	120.51
Inventory	2.71	2.79	3.25
Other Current Assets	38.73	34.57	66.47
Total Current Assets	380.56	639.82	655.94
Net PP&E	21.91	21.68	24.94
Intangibles	874.43	852.31	852.29
Other Long-Term Assets	86.81	184.39	240.12
Total Assets	1,363.71	1,698.20	1,773.29

Liabilities and Stockholder's Equity \$Mil

Accts Payable	3.68	6.75	5.23
Short Term Debt	—	—	—
Income Tax Payable	—	31.66	6.94
Accrued Liabilities	75.40	112.77	91.02
Other Short Term Liabilities	90.59	113.10	132.07
Total Current Liabilities	169.67	264.28	235.26
Long Term Debt \$Mil	—	—	—
Other Long Term Liabilities	1.17	32.82	28.57
Total Liabilities	170.84	297.10	263.83
Total Stockholder's Equity	1,192.89	1,401.12	1,509.47
Total Liabilities & Equity	1,363.73	1,698.22	1,773.30

Quarterly Results

Sales	6/2010	9/2010	12/2010	3/2011
Current	167.00	167.00	190.00	—
% Change From Year Earlier	54.30	33.50	33.80	25.60
Net Income				
Current	36.00	25.00	50.00	—
% Change From Year Earlier	241.00	114.70	71.30	10.10
Earnings/Share				
Current	0.05	0.03	0.07	0.05
% Change From Year Earlier	220.00	120.00	67.60	6.70

ARM Holdings PLC ARMH

Valuation/Estimates

Stock Type — Last Close Price \$24.64 (8/5/2011) Fair Value Est \$21.00 Morningstar Rating™ ★★★

Valuation Ratios

	Stock	Industry	S&P 500	*Stock's 5 Yr Average
Price/Earnings	77.50	12.20	13.80	47.0
Price/Book	7.20	2.50	1.90	3.6
Price/Sales	15.80	2.20	1.20	7.9
Price/Cash Flow	38.60	8.30	7.70	29.1
Dividend Yld %	0.50	2.30	2.00	—

* Price/Cash Flow uses 3-year average.

Forward Valuation Ratios

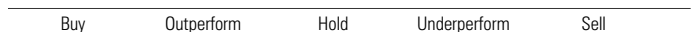
	Stock	Industry	S&P 500
Forward Price/Earnings	—	—	12.40
PEG Ratio	—	—	1.40
PEG Payback (Yrs)	—	—	—

Earnings Surprises %

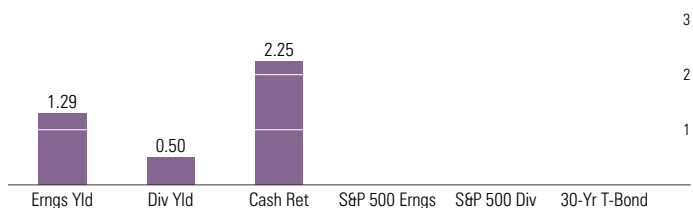
By what percentage did the company beat consensus analyst earnings estimates?

Range of Analyst Opinions

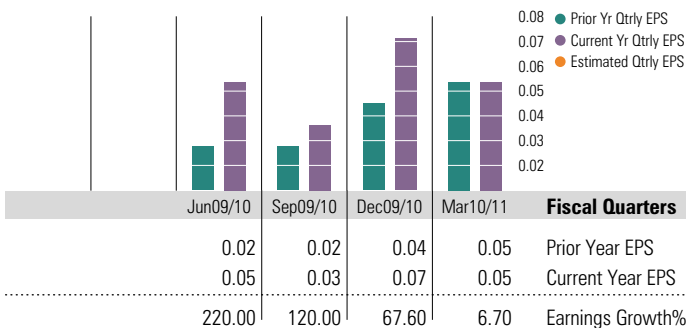
Total number of Analysts:



Current Rates of Return %



Quarterly Earnings



Annual Earnings Estimates

Earnings Type	\$	Growth %	\$	Growth %
High	0.06	-68.75	0.09	50.00
Low	0.04	6666667	0.06	50.00
Mean	0.30	57.08	0.07	-76.79
30 Days Ago	0.30	57.08	0.07	-76.79
60 Days Ago	0.30	57.08	0.09	-70.16
90 Days Ago	0.30	57.08	0.22	-27.06
Number of Estimates	9		2	

Five Year Growth Forecast: 13.50%

Industry Average: 17.88%

Analyst Opinion Trends



ARM Holdings PLC ARMH

Ownership

Stock Type — **Last Close Price** \$24.64 (8/5/2011) **Fair Value Est** \$21.00 **Morningstar Rating™** ★★★

Fund Ownership Summary

Shares Outstanding	Fund Ownership	Total of Funds	Average Star Rating
448,362,120.00	65,913,384.00	273.00	4.0

Insider Activity

Date Name/Position Shares Transaction

Top Funds Largest Stake

Fund Name	Morningstar Rating™	Shares Held	% Fund Assets	Chng(000) in Ownrshp	Date of Portfolio
Fidelity Contrafund	★★★★★	2.23	0.37	1.00	6/30/2011
Calamos Growth & Income A	★★★★★	0.86	2.57	0.00	4/30/2011
Morgan Stanley Inst Mid Cap Growth I	★★★★★	0.87	1.52	1,107.00	3/31/2011
Artisan Mid Cap Inv	★★★★★	0.59	1.25	-93.00	6/30/2011
Ivy Asset Strategy C	★★★★★	0.60	0.26	2,718.00	3/31/2011
Fidelity VIP Contrafund Inv	★★★★★	0.58	0.44	236.00	6/30/2011
Fidelity Advisor New Insights A	★★★★	0.49	0.36	0.00	6/30/2011
Fidelity Balanced	★★★★★	0.44	0.27	191.00	6/30/2011
Fidelity Series All-Sector Equity	★★★★★	0.39	0.43	165.00	6/30/2011
Harbor Capital Appreciation Instl	★★★★★	0.36	0.39	1,640.00	6/30/2011
Fidelity VIP Growth Inv	★★★★	0.32	0.98	0.00	6/30/2011
Fidelity Advisor Capital Development O	★★★★	0.32	1.37	0.00	6/30/2011
Fidelity Growth Company	★★★★★	0.27	0.09	310.00	6/30/2011
Morgan Stanley Focus Growth B	★★★★★	0.25	1.83	1,161.00	3/31/2011
Fidelity Advisor Equity Growth I	★★★	0.24	0.96	0.00	6/30/2011
Waddell & Reed Core Investment A	★★★★	0.23	0.95	1,057.00	3/31/2011
Franklin DynaTech A	★★★★★	0.20	2.64	0.00	6/30/2011
Wells Fargo Advantage Endeavor Select A	★★★	0.16	1.71	44.00	6/30/2011
Pacific Select Mid-Cap Growth I	★★★★★	0.16	1.50	-59.00	5/31/2011
MS INVF US Growth I USD	★★★★★	0.15	1.62	0.00	6/30/2011

Top Funds Owners Largest Concentration

Fund Name	Morningstar Rating™	Shares Held	% Fund Assets	Chng(000) in Ownrshp	Date of Portfolio
Horizons AlphaPro North American Gr ETF		0.00	4.79	0.00	6/30/2011
Hancock Horizon Diversified Intl A		0.03	4.52	0.00	6/30/2011
EARNEST Intl Collective Investment Trust		0.02	4.41	11.00	6/30/2010
Trans GS2 US Equity	★★	0.00	4.22	0.00	6/30/2011
Transamerica US Equity Growth GIF		0.00	4.19	0.00	6/30/2011
imaxx US Equity Growth F Class		0.00	4.19	0.00	5/31/2011
ProFunds Europe 30 Inv	★★	0.01	3.59	37.00	4/30/2011
Alpine Dynamic Innovators	★	0.00	3.43	10.00	4/30/2011
Lakeview Discp Leadership US Equity	★★	0.01	3.34	27.00	4/30/2011
ProFunds VP Europe 30	★★	0.01	3.33	3.00	3/31/2011
Alpine Dynamic Transformations FMT/Disciplined Growth Investors MCG	★★★★	0.00	3.33	8.00	4/30/2011
Schroder ISF US Equity Alpha I		0.01	3.14	0.00	3/31/2011
Fuh Hwa Global Balanced	★★★★★	0.00	3.08	0.00	6/30/2011
BNY Mellon Focused Equity Opp Inv		0.10	2.83	4.00	6/30/2011
TCW Growth Equities I	★★★★★	0.03	2.80	-5.00	6/30/2011
Pinnacle American Mid Cap Growth Eq CI F		0.02	2.73	3.00	6/30/2011
Franklin DynaTech A	★★★★★	0.20	2.64	0.00	6/30/2011
Turner Global Opportunities Instl		0.00	2.60	-2.00	7/31/2011
Lakeview Disciplined Leadership Cdn Eq	★★★★★	0.03	2.59	121.00	4/30/2011