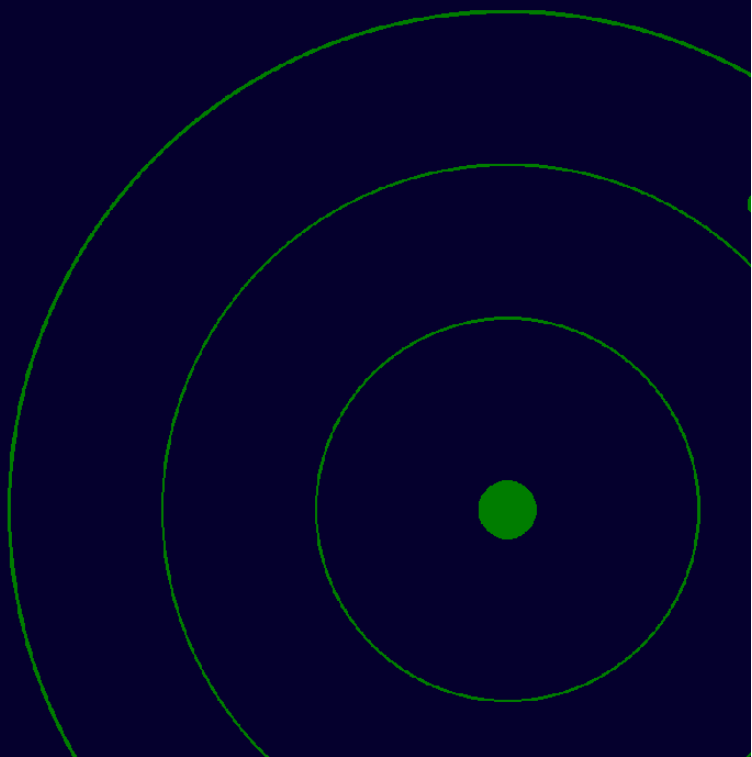
Genie Capital

CORPORATE INTELLIGENCE REPORT

Arm Holdings: Structural Diagnosis and Scenarios

Why a company with record financials may already have lost its strategic position, and what its board, management, shareholders and the public should do about it.



November 2026

Genie Capital Ltd | geniecapital.co

About this report

PREPARED FOR	Executives, Board, Minority Shareholders, the Press and the People
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Two terms used throughout

This report describes where a company sits in the chain of value. Two positions matter:

> **PROTOCOL LAYER**
> A company in this layer controls the foundational logic and standards that allow different parts of a system to communicate. Its primary goal is universality and coherence. Arm's instruction set architecture (the common language between software and processors) is a protocol.

> **PRODUCER LAYER**
> A company in this layer controls physical inputs, manufacturing and the physical supply of goods. It optimises for quality and quantity. A chip designer that makes and sells chips is a producer.

Executive Summary

Arm Holdings is pursuing a strategy that cannot work as designed. It is trying to be two things at once: the neutral standard-setter for the world's processors (the Protocol layer) and a manufacturer and seller of its own chips that competes with the very customers who pay it (the Producer layer). The two roles undermine each other. This is not a bold expansion into a larger market. It is a structural problem hidden behind strong financial results.

$4.92B	$904M	< $0.30	≈ $500	~25%
FY2026 revenue	FY2026 net income	royalty per Apple chip	gross profit per AGI CPU	RISC-V share of processors*

*Industry estimate, January 2026.

How we got here

Arm earned extraordinary margins for thirty years because nobody had to fear it. It sold designs to everyone, made no chips of its own, and so Apple, Qualcomm, Nvidia, Samsung and thousands of others could depend on it. Once a design existed, each extra chip shipped cost Arm nothing, so the royalty on that chip was close to pure profit. The catch was scale: Arm collects only cents per chip, so its profit, about $0.9 billion last year, is a small fraction of the amount its valuation and its owner's finances require.

SoftBank owns roughly 86 to 87 percent of Arm and uses that stake as the anchor of its own balance sheet. To lift Arm above the ceiling of cents-per-chip, SoftBank backed Arm's move into making and selling its own data-centre chip, the AGI CPU, which could earn about $500 of gross profit per unit. That is a very different business, and it cost Arm its neutrality.

Why the damage is not yet in the numbers

Arm's FY2026 results are excellent, and they will probably stay good for several more years. That is the trap. Royalties are paid on chips designed two to four years ago and licences run for multiple years, so reported revenue reflects decisions customers made before the pivot. The decisions customers are making now, about which architecture to use for the next generation of products, do not reach the income statement until the early 2030s.

The early signals are already visible: a jury found in October 2026 that Arm breached its licence with Qualcomm and interfered with Qualcomm's dealings with Meta; the US Federal Trade Commission is reported to be investigating whether Arm could degrade licences to customers it now competes with; and capital is flowing to RISC-V, the open alternative, including a $400 million raise by RISC-V designer SiFive and public support from Nvidia.

> **THE DIAGNOSIS IN ONE SENTENCE**
>
> Arm's high margins came from being trusted by all its customers, not from the technology alone. By competing with those customers, Arm has spent the trust that made the margins possible, and the market is still pricing the company as if it had not.

The three paths, and the decisions that follow

Path	What it means	Our view
1. Continue as is	Run licensing and chips together	Most likely under SoftBank control. Slowest route to a weaker position.
2. Sell the licensing business	Become a pure chip company	Structurally coherent. Most financially rational for value capture, but a permanent step down in business quality.
3. Exit the chip business	Return to pure licensing	Restores the model but not the trust. Margins and pricing power are permanently reduced.

For the Board: commission an independent review now and prepare the groundwork to separate the two businesses while the licensing business is still highly valuable. **For management:** protect licensee trust with published terms and firewalls in the meantime. **For minority shareholders:** judge Arm on design wins and licence renewals, not on trailing revenue, and use your vote and your questions. **For the press and the public:** report on the leading indicators, not only the quarterly revenue line. Section 7 gives the detail, the timing and the triggers.

SECTION 1

Historical Background

To understand Arm's present difficulty, one must first understand the unusual economics of the business it used to run.

The Switzerland of semiconductors

For over three decades Arm did not manufacture chips. It designed the foundational architecture, the instruction set that tells a processor how to compute, and licensed it to almost every technology company on earth, including Apple, Qualcomm, Nvidia and Samsung. Arm's position was the Protocol layer: it set a common standard that everyone could build on, and it competed with no one. Its value came from universality and from the guarantee that it would not use its position to favour one customer over another.

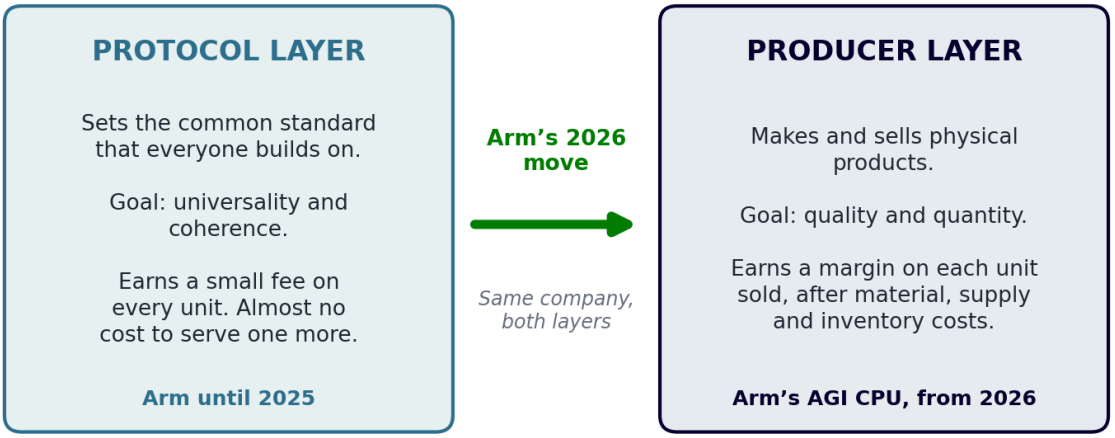


Figure 1. The two positions in the chain of value, and Arm's move between them.

How the model made money

Once Arm has designed and documented an architecture, the research and development cost is spent. Supporting an additional chip adds almost nothing to Arm's costs, and the foundry that builds the chip is paid by the customer, not by Arm. For one more Apple chip, Arm's direct incremental cost is effectively zero, so the marginal gross margin on the royalty is about 100 percent. (Arm's reported gross margin of roughly 98 percent is slightly lower only because fixed support costs are allocated across all revenue.)

The result was a capital-light, high-margin business with a very stable customer base, built on a simple promise: we will provide the best architecture to everyone equally, and we will not compete with you.

The revenue ceiling

There was a limit to this model, and it was set by arithmetic rather than by competition. Industry reports indicate that Apple pays Arm less than $0.30 per chip. Even at a 100 percent margin, a few cents per device produces limited absolute profit however many devices are sold. Arm captures a tiny fraction of the value its architecture helps create, and it could not grow absolute profit fast enough to satisfy a high-growth valuation.

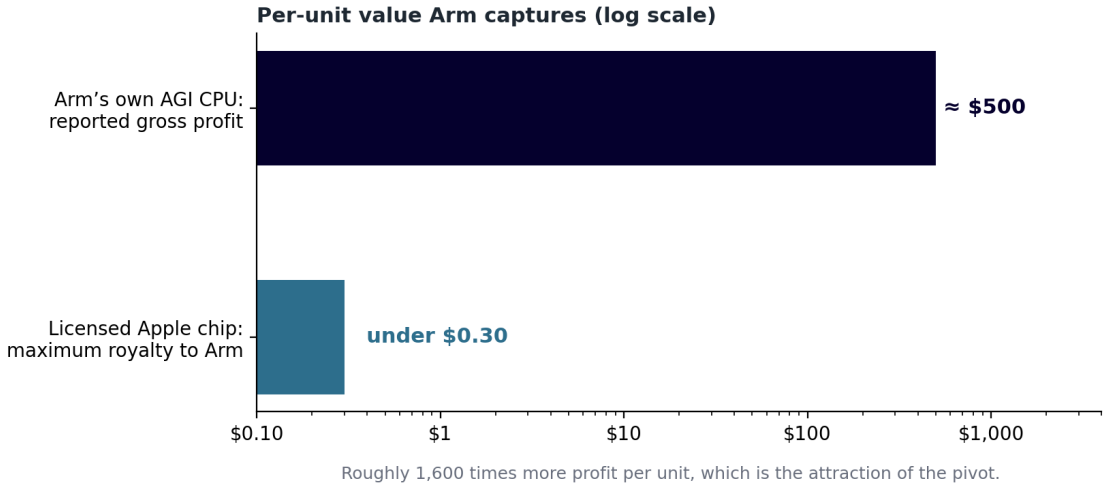


Figure 2. A royalty is a tiny, high-margin slice. A chip sale is a far larger, lower-margin one.

The best customers take the premium work in-house

Over time the promise was strained from another direction. Arm's largest customers, Apple and Qualcomm among them, began designing their own processor cores under architectural licences. They still paid Arm a baseline royalty, but they took the premium, category-defining design work in-house. Arm's own standard cores became more relevant to the mid-range and low end, where royalties are lower and competition is tougher. In effect, Arm's premium design agenda was being set by its customers rather than by Arm, and Arm was becoming a toll collector on its own architecture.

What Arm's owners misread

SoftBank acquired Arm in 2016 and took it public in 2023, retaining a controlling stake. SoftBank saw a near-monopoly on the foundational technology of the digital world and believed it could unlock more value by pushing Arm into new markets. The error was to treat Arm like a producer that could be scaled for revenue. Arm's value was never primarily in the instruction set itself. It was in the neutrality: the fact that Arm stood outside the competitive arena, so that every customer could rely on it without fear of being disadvantaged.

That makes Arm's story an unusual form of the classic innovator's dilemma. Normally an incumbent is displaced by a cheaper or better entrant. Here the incumbent displaced itself. No competitor forced Arm out of the Protocol layer. It chose to leave in pursuit of a larger share of the value pool in the Producer layer, under shareholder pressure rather than competitive necessity, and in doing so it weakened the foundation of its own business.

SECTION 2

State as at October 2026

The promise Arm made to its customers is now broken. Arm is no longer only a Protocol layer company; it has entered the Producer layer.

The pivot: Arm builds its own chip

In March 2026 Arm launched the AGI CPU, its own physical processor for AI data centres, co-developed with Meta as lead partner, with OpenAI, Cerebras and Rebellions named as early adopters. Customer demand has reportedly exceeded $2 billion across fiscal years 2027 and 2028, and management has indicated roughly $500 of gross profit per unit. Management has also set an ambition of about $15 billion of revenue from the product by fiscal 2031. These are company targets, not results.

By selling its own chips, Arm now competes directly with its biggest licensees: Nvidia, Qualcomm and the hyperscalers such as Amazon and Microsoft, which build their own custom Arm-based processors.

The financial picture looks excellent

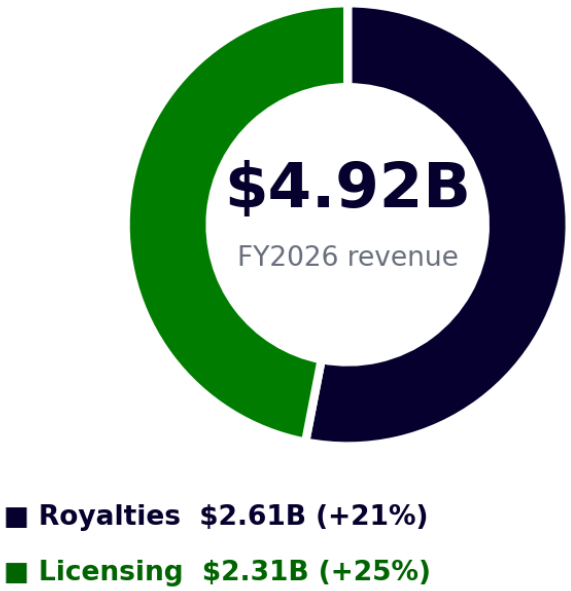


Figure 3. Arm's FY2026 revenue by source.

FY2026 revenue reached $4.92 billion: royalties of $2.61 billion (up 21 percent) and licensing of $2.31 billion (up 25 percent). Net income was $904 million. Data-centre royalties more than doubled. On these numbers Arm looks like a business at the peak of its powers.

Why those numbers mislead

Financial statements are a rear-view mirror. They show where a business has been. Royalties are paid on chips designed two to four years ago. Licence contracts are multi-year; Arm's Total Access contracts average roughly three years. The AGI CPU's $2 billion of demand has not yet appeared as revenue. None of these lines can yet show the erosion of trust, the investigations, or the design decisions customers are taking right now. Arm's results look best at exactly the moment its strategic position is weakest, because they measure the old trajectory.

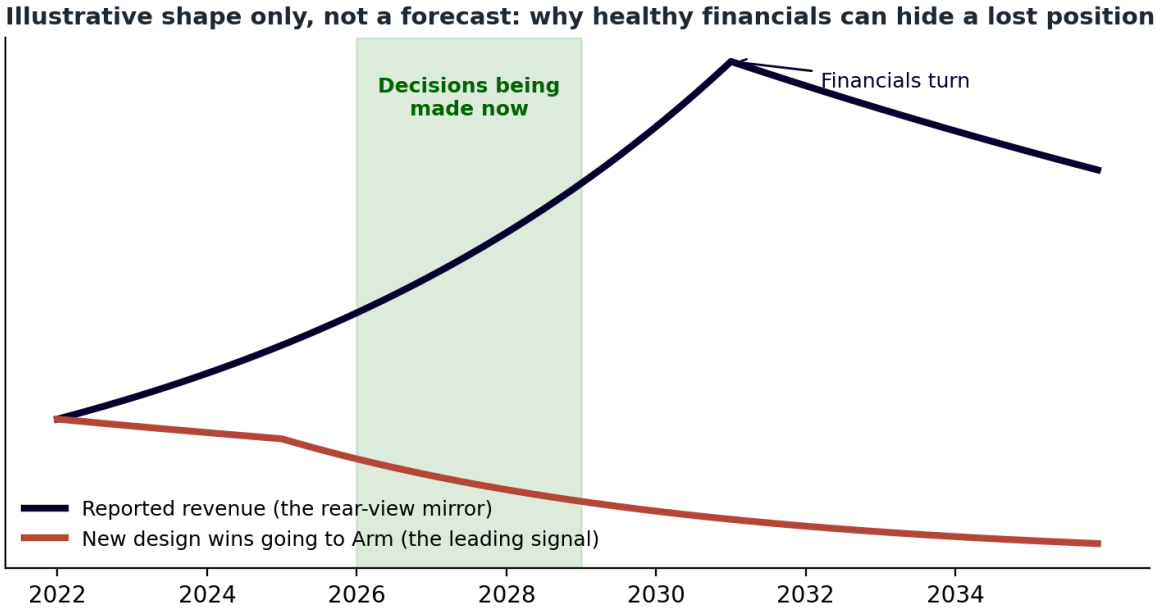


Figure 4. Why strong financials and a weakening position can coexist for years.

The market is also pricing Arm as if its position were intact. Recent market data have shown a price-to-sales ratio near 47 and a price-to-earnings ratio well above 100. Multiples like these are normally reserved for software or internet businesses with exceptional growth. Arm is a semiconductor company moving from a capital-light licensing model towards a capital-intensive chip model, and a chip company is normally valued at a far lower multiple.

Three warning signs

1. The Qualcomm verdict

On 13 October 2026 a federal jury in Delaware found that Arm breached its architecture licence agreement with Qualcomm by failing to provide software patches and tools, and that Arm intentionally interfered with Qualcomm's relationship with Meta. Qualcomm alleges that Arm leaked to the press that Qualcomm had breached its licence, delaying a deal with Meta. The jury awarded only $2 in nominal damages, and it found for Arm on the other claims. Arm says the result confirms that it acted in good faith.

The damages are immaterial. The finding is not. It gives every other licensee a template for a claim and a reason to ask whether Arm will honour its support obligations when they conflict with Arm's product ambitions. A separate hearing before the judge, with closing arguments set for 20 October, will decide whether Qualcomm may stop paying royalties for five years, a remedy that could be

worth billions. Arm's earlier suit against Qualcomm ended in December 2024 with a jury verdict for Qualcomm, which Arm has appealed.

2. Regulatory scrutiny

The US Federal Trade Commission is reported to have opened an antitrust investigation into whether Arm might refuse or degrade licences to chip designers while competing against them. It is reported to have told Arm to preserve documents. The probe follows scrutiny by South Korea's regulator, which raided Arm's Seoul office in November 2025 after complaints by Qualcomm. A probe is not an accusation of wrongdoing, but it shows that regulators regard the conflict of interest as real whatever Arm's intentions. Customers do not need a ruling to adjust their behaviour: the perception that Arm now has an incentive to favour itself is enough.

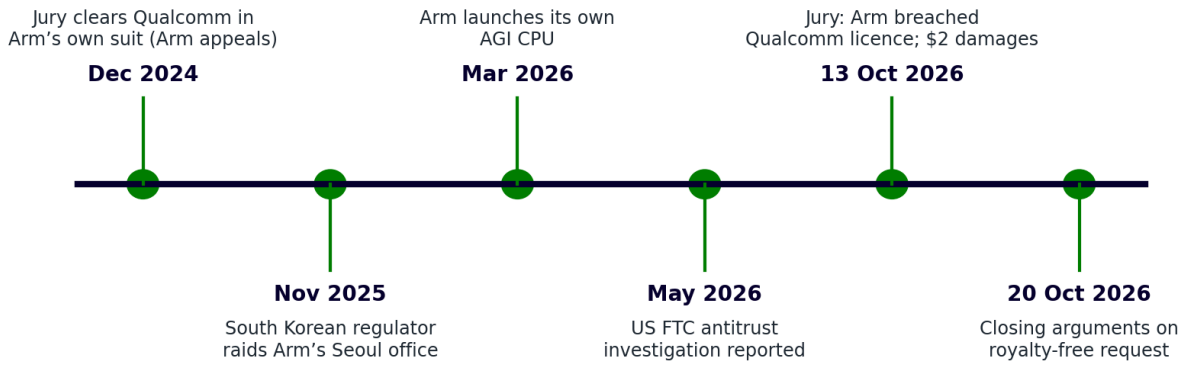


Figure 5. Key events, December 2024 to October 2026 (not to scale).

3. The open alternative is being funded

RISC-V, an open instruction set that belongs to no single company, reached an estimated 25 percent of the global processor market by January 2026, with about 20 billion cores in use and market revenues projected to grow at roughly 34 percent a year. SiFive, a RISC-V designer, raised $400 million to serve customers who do not want a supplier that is also a competitor. Nvidia has invested in RISC-V and said it will support it for AI server CPUs, while still licensing Arm. Qualcomm is pursuing greater ecosystem independence. Arm itself has acknowledged RISC-V as a major competitor.

This is the central irony. By trying to capture more value, Arm gave its customers the reason to fund the alternative. Before the pivot, RISC-V was largely a niche curiosity. After it, hedging against Arm became a board-level priority.

What is still working for Arm

A fair assessment must include the strengths. Arm's software ecosystem, covering compilers, operating systems, drivers and developer tools, is decades deep, and RISC-V needs years to match it. Re-platforming is slow and expensive. Royalties compound with unit growth, and AI-driven volumes help. Custom cores from Apple and Qualcomm still pay Arm a royalty. The jury sided with Arm on

most of Qualcomm's claims, and the share price reaction to the verdict was modest. These strengths buy Arm time. They do not restore trust.

SECTION 3

The SoftBank Record and How It Affects Arm

To understand why Arm is pursuing a strategy that damages its own position, look at who controls the decision. SoftBank owns roughly 86 to 87 percent of Arm.

Valuation arbitrage with an exit clock

SoftBank is not a traditional long-term industrial owner, whatever its leaders say about long horizons. Its Vision Fund model relies on lifting the paper value of its assets, then borrowing against them or selling them to public markets. SoftBank's own investor materials describe Vision Funds that aim to "selectively exit assets in a timely and appropriate manner" and, for listed holdings, a "mechanism in place to systematically sell" shareholdings. We call this model **valuation arbitrage with an exit clock**: mark the asset up, take it to market, exit.

It is long-term in some respects and short-term in the way that matters. SoftBank's horizon on its overall strategy may be decades. But the metric that governs its decisions on Arm is Arm's share price, because that price sets SoftBank's reported asset value and the collateral it can borrow against. Managing to that metric is short-termism in market-capitalisation terms: the horizon is the next valuation cycle, not the ten-to-fifteen-year durability of Arm's neutral position.

WeWork: what happens when the mark is wrong

SoftBank invested billions in WeWork, lifting its private valuation to around $47 billion, and by published accounts overrode the founder's plan to slow growth and move towards profit. When public investors refused to accept the valuation and the IPO was withdrawn, WeWork was rescued at roughly $8 billion, and SoftBank's reported losses on the investment ran to about $18.5 billion. The aim was not to build a durable business. It was to support a higher valuation and exit. When the market declined the mark, SoftBank was left holding the asset and the loss.

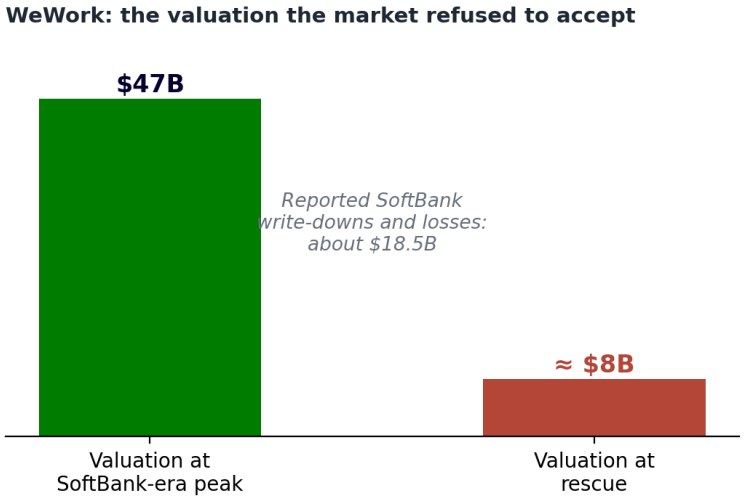


Figure 6. WeWork's valuation at its peak and at rescue.

Uber: the same logic, contained by governance

In Uber, SoftBank bought shares at roughly a 30 percent discount to the last private valuation, helped expand the board from 11 to 17 directors and reduced the founder's influence. It was not a passive bet on a vision. It was repricing and restructuring to prepare a liquidity event, the 2019 IPO. Uber survived because it had real cash flows and the governance changes imposed discipline. The pattern, however, was the same: the company's long-term health was secondary to the path to market.

Why Arm is the current case

Arm is a better business than either, which makes the outcome more tragic and slower. Arm's net income of roughly $0.9 billion is respectable. But a published ranking of the world's 50 most profitable companies for fiscal 2024 put the 50th at about $13.6 billion, around fifteen times Arm's profit. A capital-light licensing business that grows steadily cannot generate the absolute profit that a very high share price implies, and SoftBank needs that high price.



Figure 7. Arm is profitable by any normal standard, but small against what the valuation implies.

Selling physical chips produces far more revenue. Apply an infrastructure-style revenue multiple to that revenue and Arm's market value, and with it SoftBank's asset value and collateral, can be defended. This is why the pivot looks attractive to the controlling owner even though it destroys the neutral position. The decision was not driven by licensing economics getting worse. Marginal cost per extra chip is still zero. It was driven by a need for a bigger number.

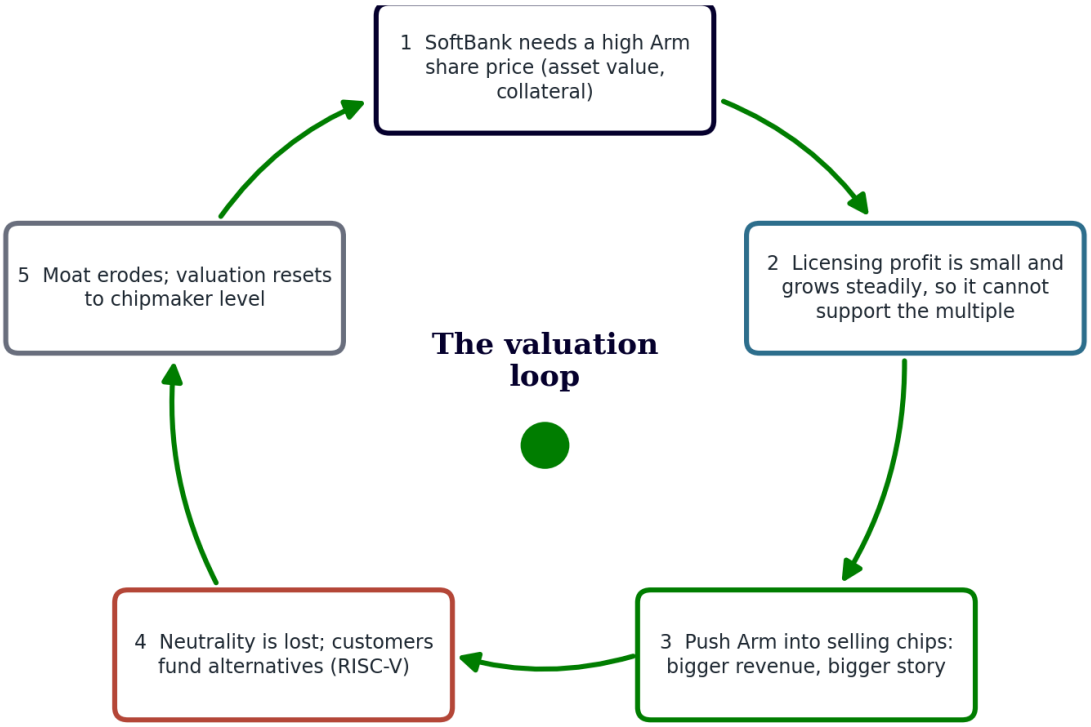


Figure 8. How the controlling owner's valuation needs feed the destruction of Arm's advantage.

SoftBank wants the valuation of a neutral licensing monopoly and the revenue scale of a chip manufacturer. The two cannot coexist, because the high margins of the first depend on the neutrality that the second removes.

SECTION 4

Diagnosis

THE FINDING

Arm cannot be both the neutral standard-setter and a competitor to its customers. Its entry into chip production has removed the neutrality on which its margins, its royalty stream and its universal position were built. The financial results have not caught up with that fact yet.

Four tests of a neutral standard-setter

A company in the Protocol layer remains in that position only if it passes four simple tests. Before 2026 Arm passed all four. Today it passes none cleanly.

Test	Before 2026	Today
Does the company control only its own layer?	Yes. Standards and designs only.	**No.** It also controls chip design, supply and sales.
Is it focused on what its layer is for (universality and coherence)?	Yes.	**Split.** It is also optimising quality and quantity for its own products.
Does it apply its terms impartially to every customer?	Yes. No reason to favour anyone.	**Contested.** The jury verdict and the FTC probe both go to this point.
Does it stay out of the layer above, where its customers compete?	Yes.	**No.** It competes with Nvidia, Qualcomm and hyperscaler chips.

These are not matters of degree. A single failure is enough to undermine the position, because the customers' question is binary: can I assume this supplier is on my side? Once the answer is no, the other strengths, such as the intellectual property, the revenue and the ecosystem, no longer protect the position.

1. The 100 percent margin was a product of trust

The 100 percent marginal margin on a royalty is not a property of the intellectual property itself. Rivals could and did replicate instruction sets. It is a property of neutrality. Arm could collect a toll from everyone because it stood outside everyone's competitive lane. The moment it starts selling its own chips, the toll booth becomes a competitor's checkpoint, and the customers with the most value to tap, Apple, Qualcomm and the hyperscalers, have both the motive and the architectural-licence capability to route around it.

Licensees now rationally suspect that Arm will keep its best designs for its own products and give them the second-best. Arm denies this and has promised impartial terms. But a promise cannot remove the incentive, and customers plan around incentives, not promises. A referee who puts on one team's shirt may still call the game fairly; nobody will trust the result.

2. Revenue is not value captured

Revenue measures the size of the pie that passed through a company's hands, not the slice it kept. For an intellectual property licensor, the slice at the margin is nearly the whole pie. For a chip vendor, it is a fraction after material costs, inventory risk, supply commitments and price competition. A valuation based on revenue multiples therefore rewards the lower-quality business (higher revenue, lower margin, heavy capital) and penalises the higher-quality one (lower revenue, near-100 percent margin, almost no capital). When capital allocation follows that signal, it pushes a company to convert its best business into a worse one.

The right lenses for a licensing business are operating profit, return on invested capital and the value of the royalty stream over time. None of them would have favoured the pivot.

3. The conflict is now institutionalised

The Qualcomm verdict and the regulatory investigations are not isolated disputes. They are evidence that the market and the authorities see a standing conflict of interest. That perception changes behaviour on its own: licensees add contract protections, diversify architectures and delay commitments. Each of those steps lowers Arm's future royalties well before any court rules against Arm.

4. The trust cannot simply be rebuilt

It is tempting to treat the loss of trust as a reputational issue to be repaired with communication and time. We think that is a mistake. Trust of this kind is a structural requirement of the business, not a soft asset. Even if Arm abandoned the chip business tomorrow, its customers would still know that Arm wanted to compete and was willing to build a product to do so. The alternatives that customers have funded, tested and begun to use in response will not disappear. The 100 percent margin depended on the absence of that knowledge.

5. The cost is hidden by timing

Because royalties arrive years after design decisions, and contracts run for years, the damage will show up late and then quickly. Expect a pattern in which design-win announcements shift first, licence renewals soften next, legal and regulatory costs rise, and then reported growth decelerates, all within a short period. By then the strategic momentum will have been gone for years.

In summary: Arm has traded a sustainable, high-margin position at the foundation of the industry for a lower-margin, highly competitive struggle in physical production. The revenue ceiling that frustrated SoftBank was real, but it was a profitable ceiling. The solution chosen destroys the thing that made Arm valuable in order to capture a share of a less valuable market.

SECTION 5

Why Conventional Toolkits Miss It

A reasonable reader will ask why analysts, who have strong tools and good data, have not reached this conclusion. The answer is that standard business analysis is built to measure performance inside a position, and is not built to test whether the position itself is intact.

Six blind spots

Standard tools add; this problem multiplies. SWOT analysis, weighted scorecards and similar methods add strengths and subtract weaknesses. A weak score on neutrality can be offset by strong IP, record revenue and a new market. But if a customer's decision depends on trust, a score of zero on trust cancels everything else. Arm looks fine on a SWOT chart: strong IP, record revenue, growing royalties, a new market to enter. A structural test shows that neutrality, the thing the others depend on, is gone.

They analyse an industry, not a position in a chain. Porter's Five Forces and similar methods treat semiconductors as one arena. They have no vocabulary for a company that sets the standard for an industry and then competes in it. Entering chips looks like diversification, vertical integration or a bigger addressable market. It does not look like a conflict of interest that undermines the company's legitimacy.

They treat trust as a recoverable asset. In conventional strategy, reputation and goodwill can be built, spent, damaged and rebuilt. For a neutral standard-setter, trust is closer to a licence to operate: once it is breached, communication and branding do not restore it. Only structural remedies, such as separation, do.

They take a snapshot of a lagging number. Financial statements, P/E ratios and revenue growth describe decisions customers took years ago. The key information, which architecture customers are choosing for products that have not shipped, is not in the accounts.

They ask "how do we win?" rather than "are we allowed to win?" Conventional tools optimise performance within a position. They rank Arm highly, because its performance is excellent. They do not ask whether the position, a neutral supplier that also competes, is sustainable at all.

They treat all revenue as equivalent. A dollar of royalty and a dollar of chip sales look the same on the income statement. But the royalty dollar exists only while Arm is trusted by everyone, and it costs almost nothing to earn. The chip dollar must be won in a contested market, with heavy capital and inventory risk. Converting one into the other destroys the conditions that produced the first.

What standard tools see	What is actually happening
Record revenue, growing royalties, strong IP	Revenue reflects design wins from before the pivot
Vertical integration into a larger market	A neutral supplier now competes with its customers
Trust as a brand asset to be managed	Trust as a structural condition that has been breached

What standard tools see	What is actually happening
A high valuation justified by growth	A valuation set for a neutral monopoly, applied to a chipmaker
Competition from RISC-V as a long-term risk	RISC-V funded and adopted now, because of Arm's own move

Conventional toolkits were built by and for producer companies: businesses that compete in defined industries with defined products. They were not designed for businesses whose value depends on staying above the competition. That is why they see a company making a bold strategic move, and why a structural reading sees a company that has already weakened its own foundation.

SECTION 6

Scenarios and Implications

Arm has three realistic paths. The deciding question is which one the controlling shareholder will permit.

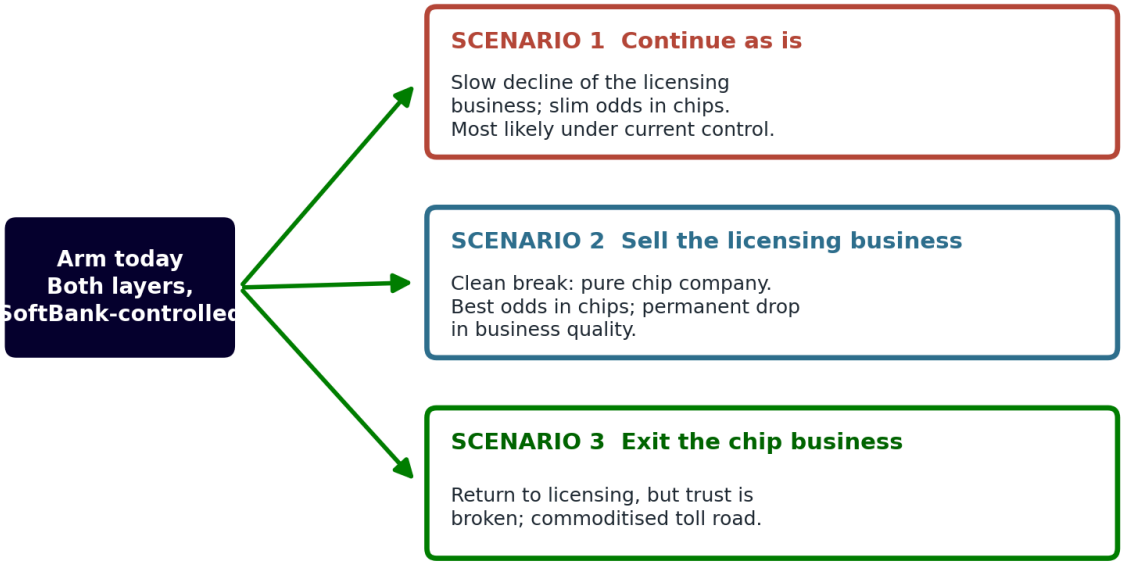


Figure 9. The three paths from Arm's current position.

Scenario 1: Continue as is (the dual-track bleed)

Arm runs the licensing business and the chip business together. For licensing, this is a slow ride towards irrelevance. The ecosystem keeps migrating towards RISC-V and custom silicon. In chips, Arm might succeed, but the odds are slim against Nvidia, hyperscaler custom silicon, AMD and its own former customers. Arm will keep promising impartial terms, but the Qualcomm verdict and the regulatory scrutiny make those promises hard to believe, and each AGI CPU design win will be read by licensees as confirmation that Arm is prioritising its own silicon.

Implications. The financials will look fine for a few years because of lagging royalties from already-committed designs. New design wins will be thinner. By the time the financials turn, the ecosystem will have moved on, and Arm will be one more fabless chip designer facing Nvidia and the hyperscalers. Arm will have given up a near-monopoly for a hard fight and failed to reach the scale needed to win it.

Scenario 2: Sell the licensing business (pure-play chip designer)

Arm sells its instruction-set licensing business and concentrates on designing and selling its own chips. This is structurally coherent. It resolves the conflict of interest because Arm is no longer the referee. It sells the asset while it still has immense value, before RISC-V matures further, and uses the proceeds to fund the chip business. The FTC investigation loses its main target, since there is no

licensing business left to degrade. Licensees no longer have to worry about their supplier competing with them, because the former supplier is now simply a competitor.

Implications. Arm gains a much better chance in chips because it is no longer managing a conflicted ecosystem. It gives up a high-margin, capital-light business for a low-margin, capital-intensive one, a permanent downgrade in business quality. The licensing business itself would need a buyer or structure acceptable to regulators and customers, such as a licensee-backed consortium or an independent entity. The 100 percent marginal margin business would leave Arm for good, and the shares would be revalued as a chipmaker.

Scenario 3: Exit the chip business (return to licensing)

Arm abandons the chip business and returns to being a pure licensor. This would signal that management recognises the mistake. It would not restore the old position. The Qualcomm verdict, the FTC probe and the knowledge that Arm wanted to compete mean every customer now has an alternative, and the ecosystem has already seen it and is funding it.

Implications. Arm's margins and pricing power would be permanently reduced. The revenue ceiling becomes a hard limit instead of a theoretical one, because Arm can no longer dictate terms. Customers will multi-home with RISC-V. Arm would still collect royalties but as a commoditised toll road rather than a monopoly. The only way back to near-monopoly status would be to invent a radically new architecture that solves compute and energy efficiency together. That needs absolute focus and large research budgets, which Arm has just diverted into the chip pivot.

Comparing the scenarios

	1. Continue	2. Sell licensing	3. Exit chips
Conflict of interest	Remains	Removed	Removed
Trust with licensees	Continues to erode	Not needed	Damaged, partly repairable
Business quality	Declining slowly	Permanently lower	Lower than before, still solid
Regulatory exposure	High, continuing	Largely removed	Reduced over time
Value capture	Uncertain; trades both ways	Crystallised at sale	Preserves cash flow; loses upside
Main risk	Loses both fights	Execution in chips	Commoditisation
Likelihood under SoftBank control	Highest	Low	Low

Which path will Arm take?

Under SoftBank's control, Scenario 1 is by far the likeliest. Scenario 2 would mean shrinking Arm's revenue story and conceding that the pivot was wrong, which hits the share price SoftBank relies on. Scenario 3 would mean writing off commitments already made and signalling weakness. SoftBank is therefore betting on the lag: that financials will hold long enough for the chip business to succeed.

The structural analysis says that bet is unlikely to win, because Arm will lose the benefits of neutrality before it earns the benefits of scale. When the numbers turn, the market is likely to value Arm as a chipmaker facing Nvidia and RISC-V, not as a neutral standard-setter.

Who is affected, and how

Stakeholder	Scenario 1	Scenario 2	Scenario 3
Minority shareholders	Hold a valuation priced for a monopoly; repricing risk grows with time	Near-term revaluation to chipmaker; clearer business	Lower growth story; steadier cash flow
SoftBank	Defends the mark short-term; larger loss later	Crystallises proceeds; concedes the pivot	Signals a mistake; lower mark
Licensees	Hedge and diversify	Face a competitor, not a conflicted supplier	Regain a supplier but keep their alternatives
Regulators	Continue scrutiny	Main concern largely resolved	Concern reduced

SECTION 7

Recommendations to Stakeholders

The recommendations below follow from the diagnosis. They are written for decision makers, with timing and tests of success. They do not depend on predicting the future perfectly, only on the structural conflict continuing to exist.



Figure 10. Suggested sequence for the Board and management.

To the Board of Directors

You are, in practice, held in Scenario 1 by the controlling shareholder's interest. The Board's duty is to the company as a whole, not only to its majority owner. We suggest that you:

- **Constitute an independent committee** of directors with no ties to SoftBank to oversee the question of how Arm's two businesses should be structured. Record its mandate and conclusions.
- **Commission an independent structural review of the chip business.** Do not rely on standard financial models. They are lagging indicators. Ask for the design-win pipeline, licence renewal terms and the rate of RISC-V adoption among Arm's top 20 licensees.
- **Obtain separate valuations** of the licensing business and the chip business, and estimate the capital, margin and supply commitments the AGI CPU requires through fiscal 2031.
- **Prepare the legal and financial groundwork for Scenario 2.** Selling the licensing business while it retains full value is the most financially rational path to secure value. Explore structures acceptable to regulators and customers, such as a sale to a consortium of licensees or to an independent entity.
- **If the Board prefers to protect the licensing business**, it must plan for a legal and structural separation from SoftBank's influence on strategy and for removing the conflict completely. Acknowledge that trust is damaged but may be partly recoverable only if the conflict is entirely removed.

- **Put interim safeguards in place now**: publish licensing terms; commit to equal treatment and support service levels; and establish an independent compliance monitor with access to licensee complaints. These measures buy time. They do not substitute for a structural decision.

To Executives and Management

At Arm: treat licensee trust as the most valuable asset you have, and manage it as such. Build firewalls between the licensing and chip teams, including separate roadmaps, information barriers and separate customer teams. Resolve outstanding support disputes promptly. Report licence renewals, design-win data and AGI CPU economics separately and transparently. Plan the chip business as though it must stand on its own.

At licensee companies: a rational response is to hedge without panic. Map the dependence of each product line on Arm. Negotiate longer terms with explicit support and patch obligations, equal-treatment clauses and clear remedies. Maintain a funded second-architecture option for the next product generation, and use the time your current licences provide, because migration takes years.

To Minority Shareholders

Your equity is carrying a valuation that assumes a neutral monopoly, while the company behaves like a competitor. The financials cannot yet show the difference. Consider:

- **Judging Arm on leading indicators**, not trailing revenue: design-win announcements, licence renewals and terms, RISC-V adoption among top licensees, the AGI CPU's actual margins and capital needs.
- **Using your vote and your voice.** Ask the Board to support a structural separation or the spin-off of one of the businesses. Vote against directors who defend the dual-track strategy without independent review.
- **Asking specific questions** at results calls: what share of royalty income comes from the top ten licensees; how many new licences were signed and on what terms; what capital the chip business needs; what the legal exposure is if Qualcomm succeeds in its royalty claim.
- **Deciding deliberately** whether to hold and engage, reduce your exposure, or exit before the lagging indicators catch up with the leading ones. This report is not a recommendation to buy or sell any security.

To the Press and the Public

Do not report only quarterly revenue. The story that Arm is a "resurgent giant" entering AI chips is incomplete. The more important story is whether a neutral standard-setter can compete with its own customers. Report on the mechanisms: the Qualcomm verdict and the pending remedy hearing, the FTC probe, the SiFive funding and Nvidia's RISC-V support, and the share of new designs that go to RISC-V. Ask the company for design-win and renewal data. Because Arm's architecture sits in most of the world's phones and a large share of data-centre chips, the outcome matters to consumers, to national technology policy and to the competitiveness of the chip industry.

Indicators to watch

Indicator	Where to look	What would confirm this diagnosis
Design-win direction	Customer product announcements, licensee disclosures	Major licensees choose RISC-V or custom cores for new generations
Licence renewals	Arm results and filings	Shorter terms, more protective clauses, price concessions
Qualcomm remedy ruling	Delaware court	Royalty-free period granted; appeal and further claims by others
Regulatory outcome	FTC, EU, South Korea	Formal action or remedies on licensing practices
AGI CPU economics	Arm results	Margin below the ≈ $500 target; heavy capital or supply commitments
RISC-V ecosystem	Industry data, SiFive and others	Share of processors rises; mature server software appears

WHAT WOULD PROVE THIS DIAGNOSIS WRONG

If major licensees keep choosing Arm for new generations on unchanged or better terms; if the regulatory probes close without action; if Arm achieves its AGI CPU targets at healthy margins without losing licensing momentum; and if RISC-V server software remains immature for several more years, the damage would be smaller than we judge. We would then expect a gradual loss of position rather than a collapse. The recommendations still hold in direction, if not in urgency.

Conclusion

Arm Holdings is a formidable intellectual property business that is being damaged by a structural contradiction. Its majority owner demanded the absolute revenue of a producer without regard for the fact that the value of a neutral standard comes from the opposite: absolute neutrality.

Arm's financials will look fine for years, because they measure the old trajectory. The decision that will end that trajectory has already been made. Customers who are choosing to hedge are doing so now, invisibly, in design reviews and architecture committee meetings that will not show up in revenue until it is too late to reverse. Arm's own pivot made those decisions rational, which is what makes this a cautionary tale and not a story of bad luck.

The central lesson for the next neutral-standard company is not "do not be profitable." It is to beware the controlling shareholder whose capital needs are not your ecosystem's needs, and to remember that revenue multiples reward the business that looks bigger, not the one that keeps more. The only question left is which path Arm's decision makers choose before the lagging financials force their hand.

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