

British chip champion Arm files to go public in US

August 22 2023



Arm is a world leader in designing chips that are used in smartphones across the world.

British chip designing giant Arm has launched the process for a public stock listing in New York, in what could be the biggest US share offering in years.

The firm, which is owned by Japan's SoftBank, is a world leader in designing chips that are used in smartphones across the world and aims to be a major player in artificial intelligence (AI).

In documents filed on Monday, Arm said it planned to list on the Nasdaq, which specializes in tech shares, after opting earlier this year against floating on the London stock exchange.

"I think it's a very good sign for the global tech market, especially with this AI gold rush. It's the start of a new tech bull market," Dan Ives, senior equity research analyst for the technology sector at Wedbush Securities, told AFP.

Arm did not specify how many shares it plans to list, so it is impossible to estimate how much the company might raise.

But details in its prospectus showed the firm is valued by SoftBank at \$64 billion, more than double the amount that the Japanese firm paid for it in 2016.

That would place it close to the \$68 billion market capitalisation of electric vehicle manufacturer Rivian when it listed in 2021 and not far from the \$75 billion for Uber in 2019.

But it would still be far from Chinese conglomerate Alibaba, which floated in 2014 with a valuation of \$231 billion. It was the biggest flotation ever at the time and now has a market cap of \$1.8 trillion.

Arm dominates the design sector for processors in smartphones, with the firm's prospectus claiming around 70 percent of the world's population uses its Arm-based products.

"Semiconductor technology has become one of the world's most critical

resources, as it enables all electronic devices today," the firm said in its prospectus.

"At the heart of these devices is the CPU (central processing unit) and Arm is the industry leader of CPUs."

AI 'calling card'

Analysts said SoftBank had been careful about choosing the timing of the share offering, with tech stocks having had a wild ride during 2022 involving mass layoffs and costly investments that failed to pay off.

"The Japanese conglomerate had been holding out for the best market conditions," said Susannah Streeter, analyst at Hargreaves Lansdown.

She said the tech market was calmer than it had been last year but recent weaknesses had pushed SoftBank to list Arm sooner rather than later.

The smartphone market is in one of its worst slumps in a decade and semiconductor firms are facing a decline in demand.

Arm also said in its prospectus it was "particularly susceptible to economic and political risks" affecting China, the world's biggest market for smartphones.

But, like many companies, it is pivoting hard towards AI. Streeter noted the firm will use the emerging tech as its "calling card" to entice investors.

The shares are likely to go on sale in September.

Michael Hewson, chief market analyst at CMC Markets UK, said Arm was likely to benefit from "a greater degree of autonomy" after the IPO,

noting that its performance under the stewardship of SoftBank had been "mixed, swinging to a \$65.5-million loss" in the first quarter.

But he was cautious about investor appetite for the IPO at a time of rising interest rates.

"Investors will certainly want a piece of a business that could see its revenues grow quickly, as the enthusiasm for AI increases," he wrote.

"The key factor will be getting the price right, as new investors may not want to pay an ARM and a leg for it."

SoftBank had tried to sell Arm last year for \$40 billion to Nvidia, currently the leader in the market for the kind of powerful processors used in AI applications, but the sale collapsed because of regulatory concerns over competition.

Arm, headquartered in the city of Cambridge in England, has nearly 6,000 employees. It reported revenue of \$2.7 billion last year, largely the same as the year before.

© 2023 AFP

Citation: British chip champion Arm files to go public in US (2023, August 22) retrieved 9 May 2024 from <https://techxplore.com/news/2023-08-arm-nasdaq-exchange.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.