

# Five things to know about British chip champion Arm

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Here are five things to know about British chip designing giant Arm, which has launched what could be the biggest US share offering in years.

The company, which plans to list on the New York stock exchange, says in its prospectus it is valued by Japanese parent SoftBank at \$64 billion.

## **Nearly all smartphones**

Rather than making chips itself, Arm licenses designs for the essential component that enables devices to function.

Founded in 1990, it dominates the global market for chips for smartphones. Its processors were found in more than 99 percent of all the world's smartphones in 2022.

Arm technology is also found in the majority of tablets and digital TV screens, as well as sensors, cloud services and chips with integrated processors.

About 70 percent of the global population uses products based on Arm technology, according to the company's own estimates.

More than 30 billion chips with Arm design were shipped in the financial year to March 31, an increase of around 70 percent since 2016.

Arm earns royalties for nearly all the chips designed and produced using its technology.

## **A British success story**

Arm is based in Cambridge, a city renowned for cutting-edge UK science that home to pharmaceutical giant AstraZeneca and one of the world's leading universities.

The announcement in March that Arm, a strategic British success story,

was planning to list on the New York stock exchange, was a blow to the UK government.

Prime Minister Rishi Sunak had sought for months to persuade it to list in London, where the top-tier FTSE 100 shares index is seeking to remain a strong global force amid increased competition from European rivals following Brexit.

## **Failed mega takeover**

In February, US [chip](#) giant Nvidia scrapped a blockbuster \$40-billion takeover of Arm, following regulatory objections.

The planned takeover by Nvidia collapsed in the face of competition investigations by watchdogs in Britain, the European Union and the United States.

They had voiced concerns about the key position the acquisition would have given Nvidia in the strategic chip sector. The US firm is known for graphics cards favored in the [video game industry](#) and the leader in processors used for developing artificial intelligence applications.

The UK government was particularly alarmed by the takeover bid, given what it said was Arm's vital role in Britain's technology sector and its overall economy.

The failure of the bid was a financial blow for SoftBank, which had purchased Arm in 2016 for \$32 billion.

Its starting price for Arm was \$40 billion. The value of the acquisition then shot up because part of that price was to be paid in Nvidia shares, which had soared on the stock market.

## **Dependence on China**

Nearly 25 percent of Arm's turnover is generated by a single client—Arm China.

Despite its name, the latter is neither controlled by Arm nor by SoftBank, which indirectly owns a minority share.

"We depend on our commercial relationship with Arm China to access the (Chinese) market," said Arm in its prep-IPO documents.

"If that commercial relationship no longer existed or deteriorates, our ability to compete in the (Chinese) market could be materially and adversely affected," it warned.

The company is particularly susceptible to the rising international tensions around the strategic chip sector, particularly between the United States and China.

## **Artificial intelligence**

Arm hopes to play a strategic role in generative artificial intelligence (AI), which is capable of learning from data to create new content such as text, music, speech, video and code.

The company says its microprocessors already make modern smartphones compatible with AI and machine learning.

In the future, new generations of Arm chips will need to contribute to the emergence of algorithms for use in new applications, particularly in AI.

Otherwise, they will be overtaken by events, according to Arm, which says it is working on the issue with Google parent company Alphabet, General Motors' self-driving car subsidiary Cruise, Mercedes-Benz, Facebook parent Meta and Nvidia.

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