

SIKULI CAPITAL

Conviction through contrarian research

Arm Holdings (ARM)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | CPU architecture IP licensing + royalty

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$220	~\$225	\$150 - \$290
May 2026	Bull 25% / Base 50% / Bear 25%	Approximately fair; rich multiple

Verdict: ARM reported fiscal Q4 revenue of \$1.49B (Licensing +29% to \$819M; Royalty +11% to \$671M) and EPS of \$0.60 beating cons^[1]. FY26 revenue was \$4.92B (+22.8%). Stock slid 7.25% on Q4 print despite the beat, on supply commentary^[2]. Data center royalties more than doubled YoY — AI CPU customer demand jumped to \$20B in 6 weeks, with supply only locked for the first \$1B. Long-term FY31 targets of \$25B revenue and \$9+ EPS imply double-digit CAGR. At ~130x forward P/E, valuation is stretched. Bull case requires sustained royalty growth and AI compute share gain; bear case is multiple compression on growth deceleration.

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	\$220.10	5/7/26 close ^[2]
Q4 FY26 revenue	\$1.49B	Licensing \$819M (+29%); Royalty \$671M (+11%) ^[1]
Q4 FY26 EPS	\$0.60	Beat consensus ^[1]
FY26 revenue	\$4.92B (+22.8%)	^[3]
Data center royalties	+>100% YoY	AI CPU traction ^[2]
AGI CPU customer demand	\$20B / \$1B locked	Supply-constrained ^[2]
FY31 revenue target	\$25B / \$9+ EPS	Long-term ^[2]
Forward P/E	~130x	Stretched by peer comparison ^[2]

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
Bull (25%)	Royalty + licensing both compound 25%+, AI CPU royalty inflection, multiple stays premium	\$290

Scenario (weight)	Assumptions	Fair Value
Base (50%)	FY27 +20% revenue, multiple compresses to 100x forward	\$225
Bear (25%)	Smartphone royalty plateau, AI CPU share contested, multiple compresses to 65x	\$150
Probability-weighted	<i>IP licensing premium; valuation rich, supply-constrained AI demand is the swing factor.</i>	~\$225

Key Risks

- **Smartphone saturation:** Mobile royalties (~60% of mix) growth-limited.
- **Custom Arm (NVIDIA):** NVIDIA Cosmos / Grace CPU could partially internalize Arm architecture.
- **RISC-V competition:** Open-source RISC-V architecture gaining traction in some segments.
- **Multiple compression:** 130x forward P/E leaves limited margin for execution misses.
- **SoftBank overhang:** Majority shareholder; secondary offerings can pressure stock.

What Would Change Our View

- **Upside:** AI CPU royalty disclosure, Arm Server share gain, FY27 guide raise.
- **Downside:** FY27 guide cut, customer loss, RISC-V breakthrough, SoftBank sale.

Sources

[1] <https://www.sec.gov/Archives/edgar/data/0001973239/000197323926000062/exhibit992fye26q431-marx26.htm>

[2] <https://www.heygotrade.com/en/news/arm-holdings-record-revenue-stock-slides-supply-cap/>

[3] <https://stockanalysis.com/stocks/arm/>

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