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ARMHY

ARM Apple Newton

Apple needed a new chip for the Newton. Together with Acorn Computers and VLSI Technology, in 1990 they set up what is now ARM Holdings (ARMHY). Until recently Apple was a major shareholder at ARM (15%) but has since sold a large part of its shares.

Larry Tesler is a non-executive directors at ARM. Tesler has been a director since the inception of ARM as Apple's representative. He worked for Apple from 1980 to 1997 as Vice President and Chief Scientist. Between 1963 and 1980 he worked at the Xerox PARC (Palo Alto Research Center) where the Graphical User Interface (GUI) was invented (windows, mouse, etc.)

Sorry for the long introduction.

ARM describes itself as "an intellectual property company." ARM is a fab-less design and development company. At the end of 1998 they had 30 licensees producing chips used in over 200 products in everything mobile from cell phones to set top boxes to GPSs to personal assistants. Their list of customers is a "Who is Who" of the electronic industry. More than 50 million ARM micro processors were shipped in 1998, up from less than 10 million in 1997.

Being fab-less means that they have the same cash flow benefits as the other "no-brick-and-mortar" companies like Amazon.com. At the same time, ARM does not face the dangers that Internet companies face where entry is just a question of money. ARM holds patents and is setting the de-facto standards of the mobile RISC chip industry. ARM is setting itself up to be the Wintel (or at least the Intel) in the telecosmic Personal Mobile Assistant Communicator (P-MAC?).

ARM is a people company where they encourage ALL employees to become shareholders through diverse stock option plans.

I don't see how the story can get any better:

1. High barriers to entry
2. Standard setter
3. No bricks and mortar high margin company twice removed from the end user
4. Employee ownership
5. Larry Tesler - director
6. Their industry, Telecosm, is just starting and should be good for 10 to 20 years.

I find it curious that Apple spawned a very successful ARM in an effort to create Newton, a flop. Even more curious is the fact that Apple is divesting itself from its ARM shares at the

time when ARM is beginning (what I hope is) its meteoric rise. Could it be that Steve Jobs is still jealous of, and mad at, John Scully?

I am seriously considering making ARM Holdings a major part of my portfolio allocation similar to JDS Uniphase and Qualcomm

Denny