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GREATEST COMPANIES · RESEARCH SHEET · The Standard Moat

Arm

The Company That Owns Almost Nothing

NASDAQ: ARM · Semiconductor IP · Founded 1990 · Cambridge, England, UK

Public · v1.0 · July 2026

In 1990, in a converted barn outside Cambridge that had recently housed turkeys, about a dozen engineers set out to build a low-power processor for a doomed Apple handheld, the Newton. The Newton flopped. The chip did not. That design, prized for sipping almost no power, became the most widely used processor architecture in history, inside roughly 99% of the world's smartphones. And the strange, beautiful part: the company that owns it, Arm, makes almost nothing physical at all.

Key Facts

Origin	A 1990 joint venture of Acorn, Apple and VLSI, to build Apple's Newton chip
Sector	Semiconductor IP — architecture and designs, not chips
Moat	Ownership of the architectural standard + credible neutrality
Founder Archetype	Strategic restraint — the Switzerland of chips, never competing with its licensees
Business Model	Licenses the blueprint; collects a fee plus a small royalty on every chip shipped
Reach	The architecture in ~99% of smartphones; 250 billion+ chips shipped
Status	Public (NASDAQ: ARM), majority-owned by SoftBank

By the Numbers

Its architecture sits in roughly 99% of the world's smartphones

More than 250 billion Arm-based chips have shipped, across 1,000+ partner companies

SoftBank bought Arm for ~$32 billion in 2016; Nvidia's ~$40 billion bid failed in 2022

Relisted on Nasdaq in 2023 in the largest technology IPO of the year

Bears none of the tens of billions in fab costs that Samsung and TSMC must pour in

Energy efficiency, its founding advantage, is now the most prized quality in AI computing

The Moat

Own the Standard, Not the Factory

Arm is the mirror image of Samsung. It designs processor architectures and licenses them, the blueprint and instruction set, to the companies that build the silicon: Apple, Samsung, Qualcomm, Nvidia, Amazon and hundreds more. It bears none of the staggering cost of fabs, carries no inventory, runs no production lines, and simply owns the design nearly everyone must license, taking a tiny cut of an almost unimaginable flow. Its moat has two reinforcing forces: switching costs so high that an entire industry's software is written for Arm's architecture, and a neutrality so credible that even bitter rivals trust it, because Arm never competes with its own customers. That restraint is exactly what made the standard universal. Owning the standard can be a deeper moat than owning the means of production.

The Ownership Saga

The Fight to Keep Arm Neutral

For most of its life Arm was a quietly successful, independent British company. Then came a turbulent decade of ownership. In 2016 SoftBank bought Arm for about $32 billion and took it private. In 2020 Nvidia agreed to buy it for about $40 billion, in what would have been the largest semiconductor deal in history, but the proposal alarmed the entire industry precisely because Arm's value rests on its neutrality: if a chip company owned the architecture all the other chip companies depended on, could it really stay neutral? Regulators in the US, UK and EU moved to block it, and in February 2022 the deal collapsed. SoftBank then took Arm public again on Nasdaq in September 2023, the largest tech IPO of that year. The threat was never a market crash, it was to the neutrality that makes Arm valuable, and neutrality survived intact.

> *“ Owning the standard can be a deeper moat than owning the means of production. ”*

The Legendary Scorecard

Category	Score	Notes
Founder Vision	8	A low-power chip for a failed handheld became a universal standard
Innovation	9	An energy-efficient architecture, decades ahead of its most valuable use
Execution	8	Spread the standard into nearly every device on Earth
Moat	10	The standard + credible neutrality; about as deep as an advantage gets
Capital Allocation	7	A turbulent ownership saga under SoftBank
Wealth Creation	8	Market value well past $100 billion since relisting
Durability	9	Switching costs lock in an entire industry's software
Historical Importance	9	The architecture inside nearly every phone on Earth

Overall Legendary	**8.5 / 10**	The purest moat in the book: owning the blueprint everyone must license

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

Timeline

1990	Arm founded in Cambridge as a JV of Acorn, Apple and VLSI to build Apple's Newton chip
1990s	The energy-efficient Arm architecture becomes the standard for the rising mobile industry
1998	Arm goes public on the London Stock Exchange and Nasdaq
2007	The iPhone and the smartphone era cement Arm as the architecture inside nearly every phone
2016	SoftBank acquires Arm for ~$32 billion and takes it private
2020	Nvidia agrees to buy Arm for ~$40 billion
2022	The Nvidia deal collapses under regulatory pressure
2023	Arm relists on Nasdaq, the largest tech IPO of the year, refocusing on AI and data centers

Lessons — What This Means for You

THE MOVE · Own the standard, not the factory
Arm owns the design everyone must license and leaves the brutal, capital-intensive manufacturing to others, capturing value at the most defensible point in the chain. Identify the layer of an industry where the standard lives, the part everyone is locked into once adopted, and ask whether owning that layer, rather than the visible physical product, is the stronger and lighter position.

THE MONEY · A small royalty on an enormous flow
Arm collects only a modest fee per chip, but those chips number in the hundreds of billions across nearly every device on Earth. A tiny cut of an almost universal flow is one of the most powerful money machines in business, the same lesson Visa and BlackRock teach: the steady toll-taker on an enormous flow often out-earns and outlasts the player making big, visible, risky bets.

THE MIND · The power of strategic restraint
Arm's defining choice was what it refused to do: it never competed with its own customers, never grabbed the fat margins of building chips, and that restraint is exactly what made it universal. Discipline and self-limitation can be a competitive weapon; the willingness to be the trusted neutral party rather than the greedy competitor can build a position far stronger than aggression ever could.

Related Reading

The opposite pole — owns the whole stack: Samsung: The Empire That Makes Everything

Co-founder in 1990 and now its most famous licensee: Apple: Ninety Days From Death to the World's Most Valuable Company

Explore every company: The Greatest Companies series

Read the Full Story

Read the full company story: Arm: The Company That Owns Almost Nothing

Sources & Further Reading

Chris Miller, Chip War: The Fight for the World's Most Critical Technology (2022)

Arm Holdings plc prospectus and SEC filings; reporting on the SoftBank and Nvidia deals

Greatest Companies (Arm chapter), The Complete Trader's Edge

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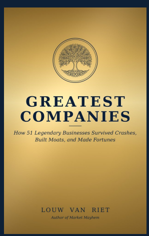

FROM THE BOOK

This company is one of **51** in **Greatest Companies** — every legendary business read through one lens: **Moat, Meltdown, Machine**. Eight kinds of moat, from Standard Oil to SpaceX.

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