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GREATEST COMPANIES · RESEARCH SHEET · The Expertise Moat

# TSMC

*The Most Important Company You Have Never Thought About*

NYSE: TSM · Semiconductor Foundry · Founded 1987 · Hsinchu, Taiwan

Public · v1.0 · July 2026

When Nvidia became the most valuable company in history in 2025, the achievement was celebrated as Nvidia's, but Nvidia does not make a single one of the chips that made it. TSMC does. Apple's chips, Nvidia's chips, AMD's, Qualcomm's, the silicon brains of the entire digital age, are overwhelmingly built in Hsinchu, Taiwan. TSMC reached this position not by inventing a famous product, but by inventing a famous business model: to make nothing of its own, and become the trusted factory for everyone else.

## Key Facts

| | |
|---|---|
| **Founder** | Morris Chang — a Texas Instruments veteran, aged 56 when he founded it |
| **Sector** | Semiconductor foundry — manufacturing to others' designs |
| **Moat** | Compounding manufacturing expertise + neutrality + scale |
| **Founder Archetype** | The institution-builder — took almost no founding equity |
| **The Model** | Pure-play foundry: designs nothing, never competes with its customers |
| **The Apple Bet** | Bet nearly half its cash on a ~$9B crash line — “I bet the company, but I didn't think I would lose” |
| **Status** | Public (NYSE: TSM) |

## By the Numbers

First foundry to high-volume 7nm, 5nm and 3nm; 2nm mass production in 2025

Around 74% of wafer revenue comes from the most advanced sub-7nm nodes

TTM revenue ~$88 billion (2025); market value ~$1.5 trillion

Passed Intel's rigorous certification in 1988, validating the foundry model

The Apple line cost ~$9 billion, approaching half of TSMC's entire cash reserves

Crossed 50% of the global foundry market around 2000 and never looked back

## The Moat

### A Lead Made of Time and Learning

TSMC's moat has three layers. First, manufacturing expertise: thousands of finely tuned process steps and the accumulated learning from trillions of transistors, built over more than thirty years, existing in no complete written form, so even a rival with unlimited money would need years, because much of the knowledge is learned, not bought. Second, the trust moat: because TSMC designs nothing and competes with no customer, every fabless company can hand it their crown-jewel designs without fear, a neutrality a design-and-manufacture rival can never offer. Third, scale, which funds the next generation of ever-more-advanced fabs. On top sits the geopolitical “silicon shield.” The rarest moat of all: a lead made of time and learning, widening faster than anyone can close it.

## The Unproven Model & The Fabless Revolution

### The Model No One Believed In

TSMC's danger was not a crash but disbelief. In the early years the industry could not imagine handing its most precious manufacturing secrets to an outsider; manufacturing was considered core, something you never outsourced. Chang, who took almost no founding equity, spent years visiting potential customers one by one, building trust in a model no one wanted. The pivotal validation came in 1988, when TSMC passed Intel's certification under Andy Grove. Once a few brave customers proved it worked, it set off one of the most consequential chain reactions in business history: the birth of the fabless company. Nvidia, Qualcomm, Broadcom, a huge share of the most important chip designers on Earth, could exist because TSMC existed, and every wafer they ordered funded TSMC's next, more advanced fab.

> ***“ Indispensability beats fame. Owning the factory beneath the gold rush can be better than owning any single miner. ”***

## The Legendary Scorecard

| Category | Score | Notes |
| --- | --- | --- |
| **Founder Vision** | 10 | Saw that making nothing of your own could be the most powerful position |
| **Innovation** | 10 | Invented the foundry model; first to volume 7nm, 5nm, 3nm and EUV |
| **Execution** | 10 | Decades of leading the hardest manufacturing on Earth |
| **Moat** | 10 | Compounding expertise + neutrality + scale; among the widest anywhere |
| **Capital Allocation** | 9 | Relentless, disciplined reinvestment into ever-advancing fabs |
| **Wealth Creation** | 9 | A great compounding franchise; >$1T market value |
| **Durability** | 8 | Technically near-unassailable; the live risk is geopolitical |
| **Historical Importance** | 10 | Enabled the fabless industry and the entire modern chip economy |
| **Overall Legendary** | **9.6 / 10** | **The indispensable keystone of the digital age** |

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

## Timeline

| | |
|---|---|
| **1985** | Taiwan's government recruits Morris Chang to build a semiconductor industry |
| **1987** | TSMC founded on the pure-play foundry model; government 48.3%, Philips 27.5% |
| **1988** | Passes Intel's certification under Andy Grove |
| **2000** | Surpasses 50% of the global foundry market |
| **2008** | Launches the Open Innovation Platform |
| **2010s** | Node leadership: 28nm, 16nm, 10nm, 7nm |
| **~2014** | The all-in Apple bet: a ~$9B crash line built in record time |
| **2018–19** | First to high-volume EUV at 7nm |
| **2022** | 3nm mass production begins |
| **2024** | Arizona Fab 21 begins production |
| **2025** | 2nm mass production; ~$165B global expansion; market cap ~$1.5T |

## Lessons — What This Means for You

**THE MOVE · Own the irreplaceable layer, not the famous one**
TSMC does not bet on which chip designer wins; it manufactures for all of them and profits from their competition. The trader's analogue is positioning in the indispensable infrastructure of a trend rather than picking which competitor will capture it.

**THE MONEY · Make the massive, concentrated bet at maximum opportunity**
Chang bet nearly half the company's cash on the Apple line because the asymmetry favoured it. The investor's version is the discipline to size up dramatically when a rare, high-conviction opportunity appears, rather than spreading thin out of timidity.

**THE MIND · Give up the glory to own the foundation**
Chang's deepest insight was that making nothing of your own, refusing to compete with your customers, was not a sacrifice but the source of unbreakable trust and universal demand. The parallel is the ego discipline to take the unglamorous, structurally superior position over the flashy one that feels more like winning.

## Related Reading

The EUV monopoly beneath TSMC: ASML: The One Machine the Whole World Runs On

The customer behind the company-betting line: 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: TSMC: The Most Important Company You Have Never Thought About

## Sources & Further Reading


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

TSMC annual reports and investor materials

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


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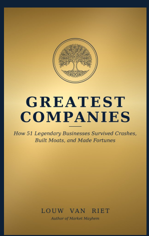


**FROM THE BOOK**

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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