

Semiconductors

UK backs chipmaker Pragmatic to boost domestic tech manufacturing

The £182mn financing sets Cambridge-based group on track to become Britain's biggest semiconductor supplier by volume

TIM BRADSHAW — LONDON



Pragmatic Park in Durham. The company hopes to build eight manufacturing lines in the UK over the next five years, each capable of producing billions of chips a year © Andy Wilson/Pragmatic

Pragmatic Semiconductor, a Cambridge-based manufacturer of flexible circuits, has secured the largest venture financing for a European chip company and will expand its production facility in north-east England.

The £182mn funding sets Pragmatic on course to become the UK's biggest semiconductor manufacturer by volume, overtaking Newport Wafer Fab in Wales.

Pragmatic develops and manufactures flexible integrated circuits, which use substrates made of polymers instead of silicon, to create chips for smart and digital packaging that can be used to track and trace goods through a supply chain.

"It's an exciting opportunity for the UK semiconductor industry to play a role in the diversification of the supply chain," said David Moore, a former Intel and Micron executive who took the helm at Pragmatic this year.

"This here is a proof point of being able to be a UK company with UK talent with UK investors and building out semiconductor manufacturing in the north-east of England and creating hundreds of well-paid jobs as a result," the chief executive added.

The equity deal values 13-year-old Pragmatic at about £500mn, including the new capital raised. The company has received an initial £162mn of the total, with a further £20mn extension lined up, most coming

from UK-based investors.

The round is led by fund manager M&G Investments and UK Infrastructure Bank, the state-owned development bank. Other participants include Northern Gritstone, the investment fund founded by a trio of northern English universities; tech start-up investor Latitude; British Patient Capital, part of the government-owned British Business Bank; and Prosperity7 Ventures, part of Saudi energy group Aramco.

Michelle Donelan, technology minister, called the investment "a pivotal step in our work to build a stronger future for the UK's semiconductor industry, by doubling down on British strengths in research and design".

Production at Pragmatic's first 300mm wafer fabrication facility in Durham is scheduled to begin before the end of 2023 and the latest investment will fund the deployment of two new lines. The company hopes to build eight manufacturing lines in the UK over the next five years, each capable of producing billions of chips a year at full capacity.

Shortages of critical electronic components during the Covid-19 pandemic and escalating tensions between the US and China over chips have highlighted the need for greater supply chain diversification to many countries.

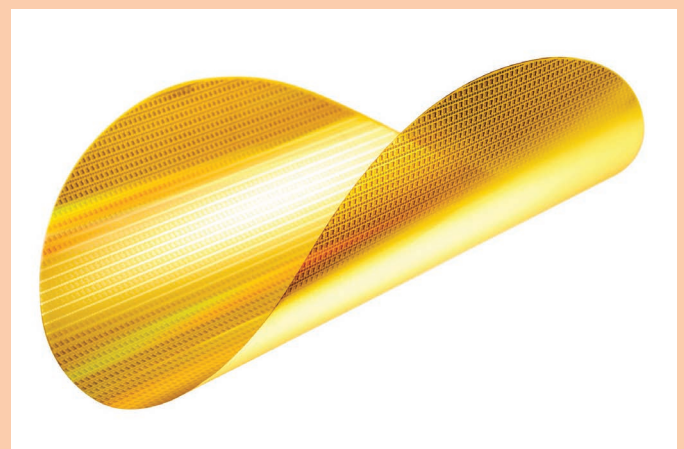
While the US and EU have launched policies promising tens of billions of dollars to chipmakers that build production facilities in the west, the UK government has taken a narrower approach with its £1bn semiconductor strategy, unveiled in May.

British officials and their industry advisers have conceded that large-scale manufacturing of cutting-edge chips such as those produced by Taiwan Semiconductor Manufacturing Company or Samsung Electronics, largely from facilities in Asia today, are unlikely to be lured to the UK. Instead, the government has sought to focus on chip design rather than manufacturing.

The UK's biggest fab today, Newport Wafer, was sold to US chip company Vishay last month for \$177mn after the UK government forced Nexperia, a Chinese-owned tech group, to divest the facility under the National Security and Investment Act.

M&G is investing £40mn in Pragmatic as part of its Catalyst strategy, a "purpose-led" unit of its £129bn Prudential With-Profits fund that is investing £5bn in areas such as climate, health and deep technology.

"The UK is blessed with a rich seam of enterprising and disruptive tech firms, but significant amounts of patient capital are needed to help companies like Pragmatic to expand and hone their operations," said Niranjana Sirdeshpande, global head of investments for Catalyst.



"Long-term capital put to work in this way not only supports economic growth but can capture value for people's pensions as we transition to a more sustainable economy."

Pragmatic's first customers are in the packaging industry but Moore hopes that it can expand into trackers and sensors for food containers, health monitors, pharmaceuticals and security applications. He argued that the technology offered a "lower cost and lower environmental footprint" than silicon-based chips.