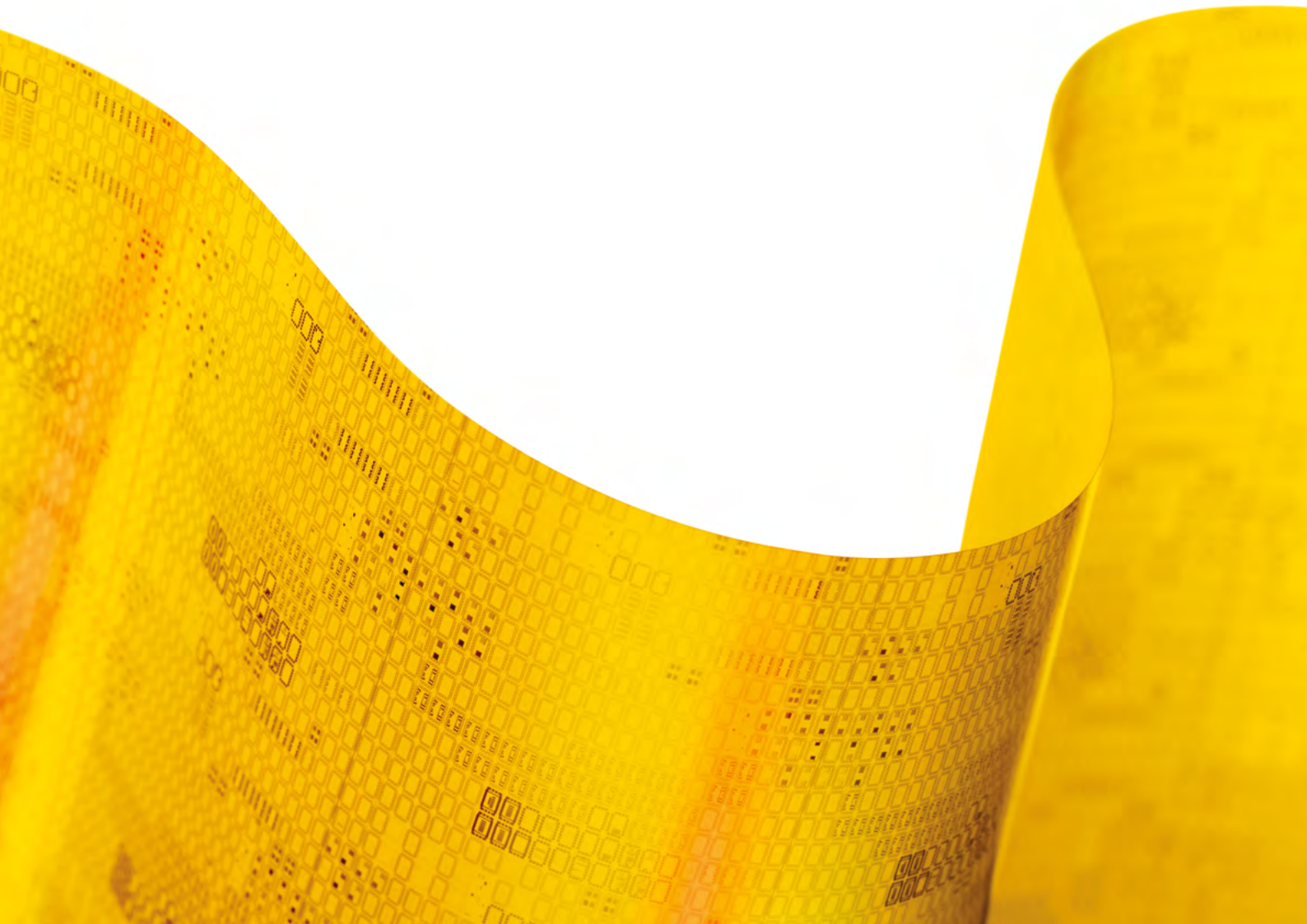




Pragmatic Series D Investment Case Study

Creating a virtuous cycle: paving the way for scaling up
British deep tech and advanced manufacturing firms



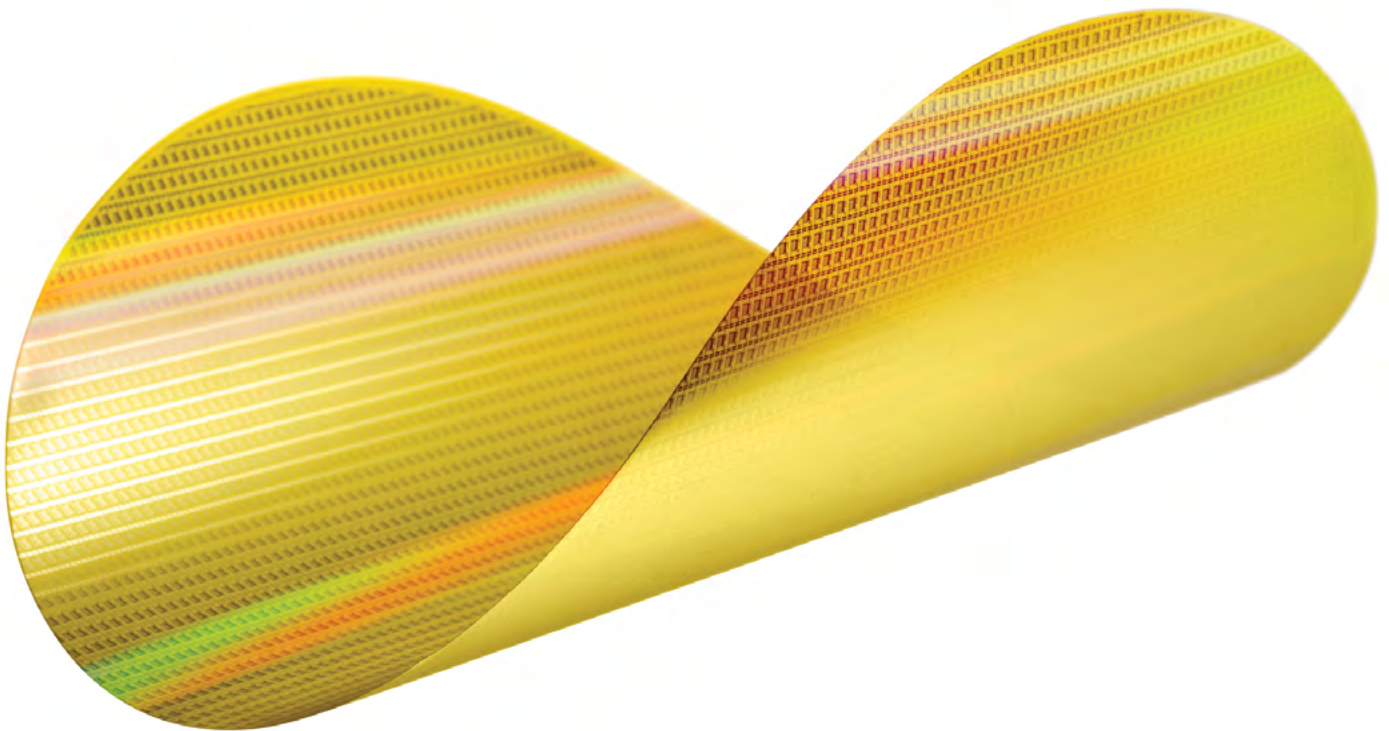
Context

Headquartered in Cambridge, UK, and with manufacturing facilities in North East England, **Pragmatic** is the only semiconductor manufacturer in the world that produces ultra-low cost, flexible chips. These chips add intelligence to everyday objects, enabling ubiquitous electronics applications across multiple industries, from healthcare to the circular economy.

Pragmatic was founded and grown as a British deep tech innovator based on a novel semiconductor platform, which it has now translated into a rapidly scaling advanced manufacturing business. With its recently commissioned FlexLogic-002 fabrication line at the new 15-acre Pragmatic Park site in Durham, and expansion space for at least eight fabs on the site, this will be the UK's highest-throughput semiconductor manufacturing facility.

The company's British character has always been central to its development, and Pragmatic wants to stay rooted in the UK even as it scales its global customer base. But this is a challenge: while the UK has historically been excellent at supporting companies to start up and innovate, the environment for scaling up has faced more challenges – particularly where that involves relatively capital-intensive manufacturing.

Pragmatic wants to be a trailblazer, helping to develop and unlock British-based sources of funding for future UK technology scale-ups so that others can follow more easily where it has led.



Approach

Following on from its highly successful and oversubscribed Series C funding, in 2023 Pragmatic set out to raise Series D funding of at least £150 million to support its path to profitability. To cement its British identity and domestic scale-up plans, the company aimed to secure more than half of this funding from UK sources.

Three strategic initiatives have allowed Pragmatic to achieve this goal:

1. Creating a scale-up-friendly investment environment

While the UK remains a leading destination for foreign investment, Pragmatic recognises that to create an environment more conducive to domestic scale-up success, it is necessary to unlock funding from additional domestic sources, and work with the Government to ensure that policy will support this ambition.

Pragmatic's Series D round is co-led by [M&G's Catalyst Strategy](#) – a £5 billion, purpose-led, flexible private markets strategy, which invests in innovative solutions to some of the world's biggest environmental and social challenges on behalf of the £129 billion Prudential With-Profits Fund and its circa 5 million customers. M&G plc is an international savings and investment firm headquartered in the UK and has a rich heritage of investing in private markets. Through a range of strategies in its £77 billion Private Markets business, it invests in real estate, infrastructure and private companies, launching Catalyst in 2021. M&G plc is also a signatory to the Mansion House Compact¹, the objective of which is to unlock greater investment from UK pension funds into high-growth private companies, generating higher returns for British savers. Pragmatic has supported the Compact, and other related initiatives such as LIFTS (Long-term Investment For Technology & Science)², which will significantly grow the pool of domestic capital to invest in, and benefit from, high-growth companies like ours.

🗨️ 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 – this is where M&G can help. We developed Catalyst to play a leading role in enabling businesses to scale their operations, provide expertise and partner with them all the way to success. Long-term capital put to work in this way not only supports economic growth but can capture value for people's pensions and savings as we transition to a more sustainable economy. 🗨️

Niranjan Sirdeshpande

Global Head of Investments, M&G Catalyst Strategy

Pragmatic has engaged with UK Government to explain how innovative businesses like ours can be supported to thrive, providing practical suggestions for the financial support that is likely to be most impactful, and how the policy and regulatory environment can support the sector most effectively. We held discussions across government, with ministers and officials, and across parliament, to help build support for a more positive investment environment for British scale-ups.

🗨️ We are going to make it even easier for semiconductor manufacturers to start and grow in the UK, and this investment will support just that. Not only will we strengthen Britain's national security, but also reindustrialise the North East to create high-skill jobs in a sector set to expand further for decades to come. 🗨️

Jeremy Hunt

Chancellor of the Exchequer

2. Securing funding from government-backed sources

Pragmatic is delighted that its Series D round is co-led by the UK Infrastructure Bank (UKIB). The investment is in line with their mandate³ to both support regional and local growth and tackle climate change.

Pragmatic is increasing its footprint in North East England, with up to £500 million of new capital investment planned over the coming years as we continue to expand Pragmatic Park. This expansion will further contribute to the development of the North East Advanced Material Electronics (NEAME) cluster as an area for world-class innovation and scale-ups.

Our unique semiconductor platform has an inherently lower carbon footprint than conventional silicon fabrication, reducing direct supply chain emissions, as well as enabling a wide range of applications driving sustainability and the circular economy.

🗨️ The Bank has an important role to play in unlocking finance to scale up domestic supply chains, like semiconductors, which are critical to the UK's transition to net zero. Our investment in Pragmatic backs a British business to accelerate development of a first-of-a-kind technology which not only cuts the carbon emissions of semiconductor production, but which will drive growth in the local economy in the North East. 🗨️

John Flint

Chief Executive Officer, UK Infrastructure Bank

We are also very pleased to have continued support in this round from the **British Business Bank (BBB)** via follow-on participation of **British Patient Capital's Future Fund: Breakthrough**, who joined our shareholder base at Series C. Pragmatic strongly supports BBB's aspiration⁴ to evolve towards a 'sovereign venture fund', and believes that the combination of this with UKIB provides an excellent basis for UK Government to enhance and support private investment in areas of critical national importance.

🗨️ Pragmatic has become a world leader in semiconductor manufacturing through truly innovative product development that converges cutting-edge technology with practical solutions for their customers. We are delighted to make a follow-on investment in Pragmatic to enable their continued expansion. 🗨️

Catherine Lewis La Torre

Chief Executive Officer, British Patient Capital

3. Supporting our local presence through regional investment

Since Pragmatic's Series A round in 2014, it has enjoyed strong, ongoing support from Cambridge Innovation Capital (CIC), reflecting our founding location in Cambridge and continued growth in the team there to more than 100 staff. CIC's participation in our Series D round, alongside M&G, ideally demonstrates their commitment to the recent Venture Capital Investment Compact⁵.

🗨️ The combination of this funding – the largest venture round for semiconductors in Europe ever – with Pragmatic’s potential to disrupt the market on a global scale, represents a significant milestone for the UK semiconductor industry. CIC is delighted to have invested in Pragmatic at its Series A and to have participated in every financing round since. This is a good example of how CIC invests early and partners with the most innovative companies in Cambridge as they scale up. CIC is a signatory of the recent Venture Capital Investment Compact and this investment round demonstrates how UK venture capital firms can partner with UK pension funds to provide them with the most attractive investment opportunities to benefit their pensions savers. 🗨️

Andrew Williamson

Managing Partner, Cambridge Innovation Capital

As we started to expand our manufacturing footprint in the North East, we also engaged with funds anchored in that region to support our presence there. Our Series C included investment from Maven’s [North East Development Capital Fund](#) and [Finance Durham Fund](#), and we are very happy to see follow-on participation from them in our Series D. We are also

¹ Mansion House Compact (The Global City)

² LIFTS Initiative (GOV.UK)

³ UK Infrastructure Bank Framework Document (GOV.UK)

delighted to welcome as a new shareholder [Northern Gritstone](#), a groundbreaking investment company that is dedicated to supporting science- and technology-enabled businesses in the North of England.

🗨️ With intellectual property acquired from the University of Manchester and a state-of-the-art production line in Durham, Pragmatic represents some of the brightest technology from across the North of England. Its strong impact agenda and desire to create high-value jobs in the region aligns with Northern Gritstone’s ‘profit with purpose’ mission and desire to create a thriving innovation community. We are excited to be investing at this later stage and are optimistic about the growth that Pragmatic can deliver in the next few years as the use of its chips expands 🗨️

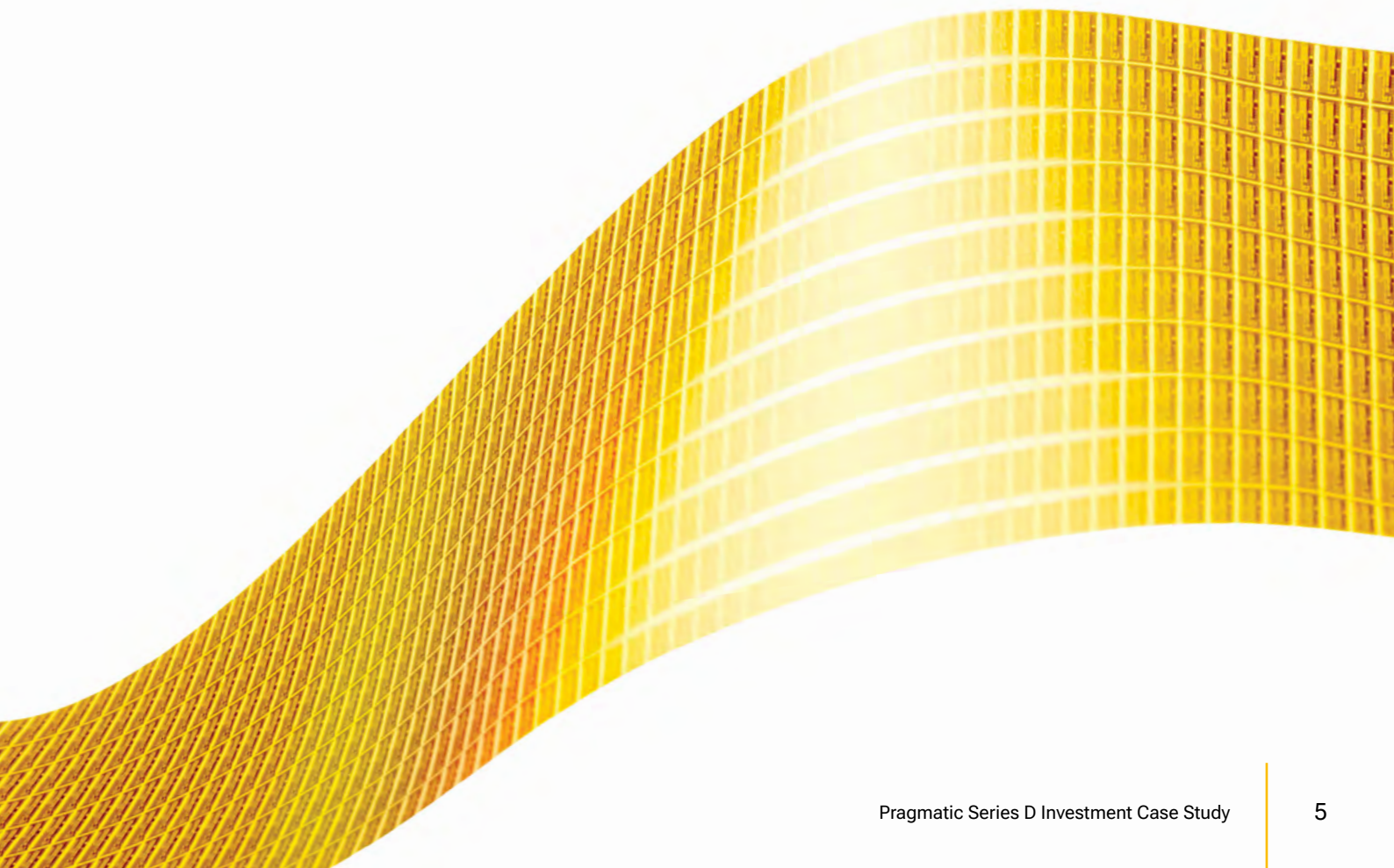
Duncan Johnson

Chief Executive Officer, Northern Gritstone

All these investors are dedicated to supporting high-growth businesses, such as Pragmatic, in their respective regions, and as we scale it is hugely beneficial to have a diverse range of investors rooted in our local communities.

⁴ British Business Bank aims to become ‘sovereign growth fund’ (FT.com)

⁵ Twenty leading firms sign Venture Capital Investment Compact to boost pension fund investment in high-growth companies (CIC)



Impact

In December 2023, Pragmatic announced £183 million of Series D funding⁶ – a first close of £163 million (\$205 million) plus at least a further £20 million (\$25 million) already allocated for a second close. This comprises the largest ever venture funding round for a semiconductor company in Europe⁷. With over 70% of this round's funding coming from UK investors, it will allow us to cement our UK base and support Pragmatic's growth as a world-leading British technology business.

👏 We are delighted to secure this significant scale-up funding from predominantly British investors, more than doubling our total funding to date. It demonstrates a strong alignment between private investment and public policy in critical technologies such as semiconductors, and clearly recognises the value that Pragmatic's unique approach can create in the UK and globally. 👏

Scott White
Founder, Pragmatic

The round will directly fund hundreds of skilled, high-wage jobs across the UK, as well as significant capital investment in additional fabrication capacity at Pragmatic Park to create the country's highest-volume semiconductor manufacturing site.

Pragmatic's growing British manufacturing footprint supports domestic use cases in sustainability and circular economy, accessible healthcare, and national security, as well as exports to our customers around the world.

It also provides a robust anchor in the UK for our future

⁶Series D press release

⁷Source: Lazard analysis based on Pitchbook data

expansion of global manufacturing, leveraging our unique modular fab to provide local security of supply for key international customers.

But perhaps most significantly, Pragmatic has demonstrated the reality of scaling up a deep tech, advanced manufacturing company in the UK, while maintaining strong UK ownership, and blazing a trail for our industry and a future generation of great British technology businesses.

👏 This successful Series D round is a clear testament to the massive opportunity for our innovative technology to enable item-level intelligence in virtually any object on the planet. Our global customers value our ultra-thin and flexible form factor, our breakthrough low cost of customisation and rapid production cycles, and lower environmental footprint compared to silicon. Scaling our manufacturing capacity on the UK's first ever 300mm wafer production lines at our site in Durham will enable us to deliver hundreds of billions of chips to customers worldwide over the coming decade. 👏

David Moore
Chief Executive Officer, Pragmatic

About Pragmatic Semiconductor

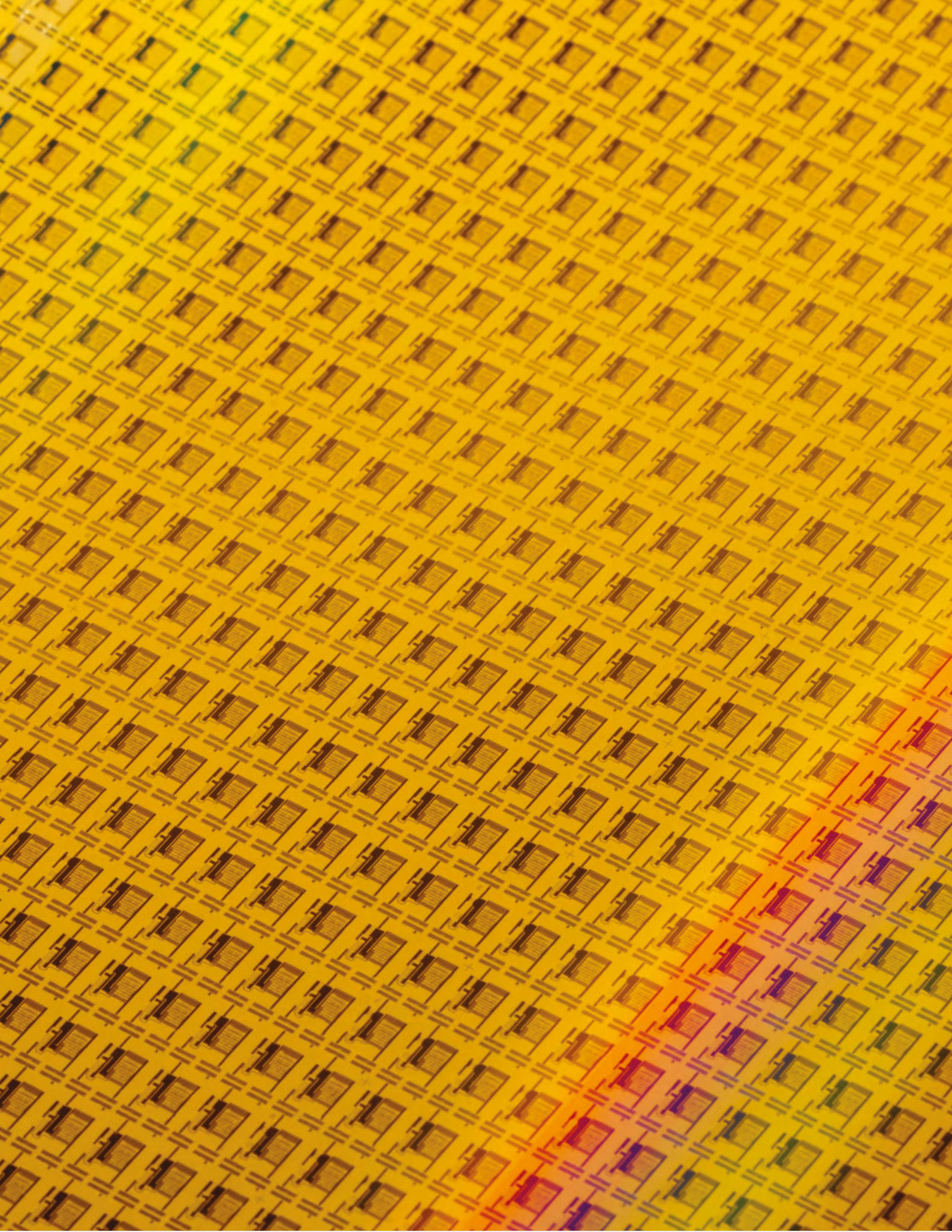
Pragmatic is the world leader in flexible integrated circuit technology. Founded in 2010, the company has grown from a novel semiconductor concept to a proven high-yield manufacturing process, now embarking on global scale-up.

Pragmatic is headquartered in Cambridge, UK. Pragmatic Park, a 15-acre production facility making flexible integrated circuits, is located in Durham, UK. Housing the UK's first state-of-the-art 300mm fab, it sets the standard for smart, sustainable

semiconductor manufacturing. When fully operational, it will be the highest-volume semiconductor manufacturing facility in the UK.

Pragmatic was advised on the Series D funding transaction by the dedicated Venture & Growth Banking team at Lazard and by leading global technology law firm Wilson Sonsini Goodrich & Rosati.





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