

Former owners of UK's biggest microchip firm Newport Wafer Fab poised to reacquire the plant

The UK Government's decision to block the acquisition of the UK's biggest microchip plant on national security grounds paves the way for its former owners to reacquire the business. With investment they would aim to triple production capacity at the Newport-based fab with a focus on silicon carbide chips needed for electric vehicles.

After a protracted review of the acquisition of Nexperia Newport (previous known as Newport Wafer Fab), UK Government Business Minister Grant Shapps has ordered that Amsterdam-based Nexperia – which is owned by Chinese and Shanghai-listed tech company Wingtech – to divest at least a 86% stake in the business. It has ordered the divestment under its National Security and Investment Act.

The Department for Business, Energy said: “The Secretary of State considers that a risk to national security relates to: technology and know-how that could result from a potential reintroduction of compound semiconductor activities at the Newport site, and the potential for those activities to undermine UK capabilities, and the location of the site could facilitate access to technological expertise and know-how in the South Wales cluster (compound semiconductor), and the links between the site and the cluster may prevent the cluster being engaged in future projects relevant to national security.

“The Secretary of State considers that the final order is necessary and proportionate to mitigate the risk to national

security.”

Nexperia, having previously held a minority 14% shareholding in the facility which employs 500, were able to take total ownership of the plant last year having evoked a clause in the event of the facility being unable to meet customer orders. It acquired the business for just £63m from a company called Neptune Six.

Neptune Six, under this chief executive Drew Nelson, had itself acquired the business in 2018 with other investors from its then German owners Infineon.

As part of the deal that saw Nexperia acquiring 100% ownership, Neptune Six has a first right of refusal option to buy back the business in the event of Nexperia selling the business within a two year window. It is understood that the cost of any reacquisition is at the price which Nexperia acquired full control of the business at £63m.

As well as backing from private equity firm Palladium Partners there is also understood that Dr Nelson and his team have identified potential financial support to upgrade Fab 10 at the site from the Welsh Government, as well as the UK Government’s Automotive Transformation Fund.

As well as the cost of reacquiring the business (£63m) it has identified a further £100m of required fundraising to position it as a world leading producer of silicone carbide. It would also be seeking to work with Nexperia as a key customer. If reacquired Dr Nelson would not be chief executive.

Silicone carbide chips are needed to power advanced electric vehicles and significantly reduce the time it takes charging points to power vehicles. This would give the UK sovereign supply chain capacity in what is seen not only as a huge growth market globally, but an important asset in arresting climate change. An expansion of the operation in Newport would create a new wave of hi-tech jobs and bolster the wider

compound semiconductor cluster in south Wales.

Dr Nelson and his team believe there are significant global opportunities for silicon carbide demand despite US firm Wolfspeed announcing a huge investment that will see a 10 fold increase in its current silicon carbide production capacity and it securing a deal with Jaguar Land Rover to supply silicon carbide semiconductor technology to supply their next generation electric vehicles.

Nexperia said it was shocked by the UK Government's decision and will seek to appeal. Its UK country manager, Toni Versluijs, said: "We are genuinely shocked. The decision is wrong, and we will appeal to overturn this divestment order to protect the over 500 jobs at Newport. This decision sends a clear signal that the UK is closed for business. The UK is not levelling up but levelling down communities like South Wales.

"The decision is wrong – in many aspects. It is legally wrong – being disproportionate given the remedies Nexperia has proposed. It is wrong for the employees of Nexperia Newport – creating further uncertainty. It is wrong for the UK semiconductor industry – taking out a strong player. It is wrong for the UK economy – undermining its semiconductor industry as we brought new production to Newport. It is wrong for the UK taxpayer – who could now be faced with a bill of over £100m for the fallout from this decision.

"We will appeal this wholly incorrect decision. We are hugely disappointed by this extraordinary U-turn, and the greater uncertainty that it creates for our employees and their families in Wales whilst also not recognising the commitment of our 1,000 employees in Manchester. As a globally successful European-centred company, with our roots at Royal Dutch Philips and proud, 90-year track record in Britain, it is astonishing that our employees face such jeopardy and hundreds of millions of pounds of foreign direct investment are not welcome.

“We rescued an investment-starved company from collapse. We have repaid taxpayer loans, secured jobs, wages, bonuses and pensions, and agreed to spend more than £80m on equipment upgrades since early 2021. Those who sold the business to us agreed that it was the only viable solution, and the deal was publicly welcomed by the Welsh Government.

“Quite apart from the apparent concerns raised by various parties, which we have been keen to address openly, we have been shocked by the government’s process and its refusal to have a meaningful dialogue to discuss our proposals for a mutually positive solution. We made every effort to engage, to explain our business and made bold proposals for our operations in Newport and its management to nullify any potential fears about possible national security risks. We have been especially disappointed that we were denied the opportunity to discuss these with the Secretary of State himself or any of his political or private office team.”

A Welsh Government spokesman said: “The UK Government’s decision has provided some welcome clarity.

“Our immediate priority now is to safeguard the future of the hundreds of highly skilled jobs in Newport. We remain fully committed to ensuring the continued development of our compound semiconductor cluster in south east Wales and the role it plays on a wider UK scale.

“In light of the UK Government’s decision, UK Ministers now clearly view the compound semiconductor sector in Wales as a strategic national asset as well as being internationally recognised. We therefore call on the UK Government to invest in the sector to safeguard its future.”

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