

British chip champion Pragmatic lines up £200m funding injection

A fast-growing British semiconductor manufacturer is lining up a £200m funding injection from blue-chip backers including the asset management giant M&G.

Sky News has learnt that Pragmatic Semiconductor, which produces low-cost microchips for use in products such as packaging and clothing, is close to finalising a substantial fundraising backed by Saudi Arabian money.

City sources said this weekend that M&G's Catalyst fund, which invests in technology-led companies, would provide a significant chunk of the new funding.

Prosperity7 Ventures, which is connected to the Saudi oil giant Aramco, backed Pragmatic's most recent share sale at the end of last year, with one source saying that either it or Aramco itself had agreed to participate in the new round.

The UK Infrastructure Bank and Northern Gritstone, the university spinout vehicle, are said to be among the new investors in the company.

One insider said the deal, which is expected to value Pragmatic at £300m on a pre-money basis, would be announced in November.

The fundraising will represent a big vote of confidence in a company rapidly scaling to become an important player in Britain's semiconductor sector.

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Pragmatic operates from a 15-acre site in Durham and has a growing presence in Cambridge, where it is headquartered.

It is also aiming to expand its manufacturing capacity in the US, although earlier this year it denied suggestions that it was plotting a move away from its British base.

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The chips produced by Pragmatic are produced without silicon and create integrated circuits which are thinner than a human

hair.

The company was founded in 2010 by Scott White, a serial technology entrepreneur who handed over the CEO role to industry veteran David Moore earlier this year.

The explosion in connected devices globally has triggered a surge in demand for advanced chips, acting as a catalyst for the rapid growth in companies such as Nvidia, which has become one of the world's few companies to hit a \$1trn (£823bn) valuation.

Existing investors in Pragmatic include Arm, the chip designer which recently made its New York public market debut, and British Patient Capital, a subsidiary of the British Business Bank.

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Announcing its \$125m (£103m) Series C fundraising last December, Pragmatic said its growth highlighted the “strategic importance of [our] ground-breaking semiconductor technology platform at a time when governments around the world are focused on ensuring secure control of supply chains for critical electronic components”.

Rishi Sunak, the prime minister, announced a 20-year plan in May to secure the medium-term future of the UK's semiconductor industry.

The National Semiconductor Strategy, which involves up to £1bn of public money, is viewed by ministers as a critical component of Britain's future national security agenda.

“Semiconductors underpin the devices we use every day and will be crucial to advancing the technologies of tomorrow,” Mr

Sunak said.

“Our new strategy focuses our efforts on where our strengths lie, in areas like research and design, so we can build our competitive edge on the global stage.”

Pragmatic, M&G and Northern Gritstone declined to comment, while Saudi Aramco did not respond to a request for comment.

Lazard, the investment bank which is advising Pragmatic on the fundraising, also declined to comment.