

Technology

SoftBank Buys Troubled UK Chip Startup Graphcore in AI Race

- Japanese investor continues its blitz into chips, AI with deal
- Graphcore was once valued at \$2.8 billion, but struggled

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[SoftBank Group Corp.](#) has acquired British semiconductor startup [Graphcore Ltd.](#), as the Japanese firm seeks to strengthen its investments in chips and artificial intelligence.

The companies announced the deal on Friday without disclosing financial terms. Bristol-based Graphcore will operate as a SoftBank subsidiary and keep its management team, Nigel Toon, Graphcore's chief executive officer, told reporters in a briefing.

It's the second UK semiconductor company that SoftBank's snapped up, and follows its 2016 takeover of Cambridge-based [Arm Holdings Plc](#), the chip designer whose technology is found in almost all of the world's smartphones. Graphcore was frequently held up as a champion of the UK tech industry – it participated in the country's inaugural [AI safety summit](#) last year. But Toon has been [openly critical](#) of the government's lack of support for the industry.

Based in Bristol, Graphcore designed a new type of chip, called an IPU, meant to enable AI applications. Financing from marquee investors, including [Sequoia Capital](#), gave the company a \$2.8 billion valuation in 2020 on the hopes that it would rival [Nvidia Corp.](#) But the British upstart struggled to gain customers, even as the frenzy around AI sent the demand for silicon sky high.

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Graphcore brought in \$2.7 million in sales on \$204.6 million in losses in 2022, according to its most recent filings. The company disclosed that it

needed more money to survive. Last year, Graphcore left China, a market Toon had cited as promising.

Toon, a semiconductor veteran, cited the unmanageable costs of competing with Nvidia and others developing customized AI chips. “The scale here is just enormous,” he said. “The right outcome for the company is to work closely with a partner that is willing to make these levels of investment to succeed.” He said the plan under SoftBank was to “invest and add” to his employee base in the UK.

“This acquisition is a welcome end to the uncertainty that has faced Graphcore,” UK Science Secretary Peter Kyle said in a statement on Friday. “It must, however, serve as a reminder of the important work that needs to be done.”

Vikas Parekh, a managing partner with SoftBank’s investment fund, said in a statement that SoftBank was “pleased to collaborate” with Graphcore on moving toward AGI, an industry term for a machine that outperforms humans in a range of tasks. The company didn’t comment further. Bloomberg News reported on the companies’ talks in May.

Masayoshi Son, SoftBank’s founder, has shifted his strategy from splashy venture deals to strategic investments in AI and semiconductors, riding the successful public listing of Arm. Toon said Graphcore will work “across the whole SoftBank family,” without specifying how it would collaborate with Arm.

Before the deal was announced, Graphcore sent former employees letters indicating that their company shares were worthless, according to a report in Sifted and documents seen by Bloomberg News. The letter explained that the offer price was less than the amount it had raised in investment capital.

Toon confirmed that former employees wouldn’t profit from the sale but declined to comment on the financial terms. He said Graphcore had raised “in the order of \$700 million” before being acquired.

(Updates with comments from UK science secretary in seventh paragraph)

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