

Sumo Group to be acquired in £919m deal by Chinese tech giant Tencent

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A Chinese tech company has swooped for a video game developer with studios across Yorkshire, the North East and the Midlands in a deal valuing it at more than £900m.

The boards of Tencent Holdings and Sheffield-based Sumo Group plc announced to shareholders they have reached an agreement on the terms of a recommended all-cash offer.

Tencent is to acquire the share capital of Sumo through its subsidiary Sixjoy Hong Kong, at a price of 513p per share, valuing Sumo at around £919m.

Sumo Digital – the group's primary business – is one of the UK's largest independent developers of AAA-rated video games, with studios in Newcastle, Sheffield, Nottingham, Leamington Spa, Warrington and Pune, India.

The business has acquired three studios since floating in 2017, which operate under their own names; The Chinese Room in Brighton, Red Kite Games in Leeds, Lab42 in Leamington Spa and PixelAnt Games in Wroclaw, Poland.

It also owns Gateshead visual design company Atomhawk, US

video games developer Pipeworks in Oregon, US, and video games publisher Secret Mode.

In a stock market announcement the Sumo Board, which has been advised by Goldman Sachs and Zeus Capital, said it considers the terms of the acquisition to be in the best interests of Sumo shareholders, and it intends to recommend unanimously that Sumo shareholders vote to approve the deal.

Carl Cavers, chief executive officer at Sumo, which reported revenue of £68.9m for 2020, said: “In the 18 years since we founded Sumo, we have developed more great games than we could ever have imagined and enjoyed incredible trust and support from our clients, enabling us to grow into a global business, delivering consistently strong financial results.

“From a single studio in Sheffield, Sumo now totals 14 studios in five countries, spread across the globe, with more than 1,200 people. Sumo is and always has been a people business and great people make great games and enjoy great times. I am proud to lead such a talented and creative group of individuals.

“The three founders of Sumo, who work in the business, Paul Porter, Darren Mills and I are passionate about what we do and are fully committed to continuing in our roles. The opportunity to work with Tencent is one we just couldn’t miss. It would bring another dimension to Sumo, presenting opportunities for us to truly stamp our mark on this amazing industry, in ways which have previously been out-of-reach.”

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Ian Livingstone, non-executive chairman of Sumo said: “The board of Sumo firmly believes the business will benefit from Tencent’s broad videogaming eco-system, proven industry expertise and its strategic resources, which will help secure and further the aspirations and long-term success of Sumo.

“The board of Sumo considers that the acquisition is in the best interests of all stakeholders in the company and intends to unanimously recommend this offer to shareholders. Tencent’s offer of 513 pence per share demonstrates the tremendous achievements of the management team, both financial and operational, since Sumo joined AIM in December 2017 at 100p per share, and provides an outstanding return for shareholders.”

James Mitchell, chief strategy officer and senior executive vice president of Tencent, added: “Tencent is pleased to have been an investor in Sumo since 2019, and we view the proposed

combination as an evolution of our partnership. Tencent is a committed investor in the game industry, with a track record of supporting the growth of game studios around the world.

“We hold Sumo’s team and the games they produce in high regard, and its strategy and spirit of innovation have underpinned the success of the business over many years.

“Tencent intends to bring its expertise and resources to accelerate the growth of Sumo both in the UK and abroad, supporting Sumo in the market for top-tier creative talent, and the UK as a hub for game innovation.”