



SUMO GROUP PLC

Investec Best Ideas Conference

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SUMO GROUP FAMILY



FOUNDED 2003

9 studios, 8 UK // 1 India

Develops games across all major platforms, offering turnkey solutions for the world's leading publishers including Sony, Microsoft, Apple, SEGA, and 2K.

Also home to the Sumo Digital Academy initiative, a talent development programme bringing skilled graduates into the games industry.



**PIPEWORKS
STUDIOS**

FOUNDED 1999

1 studio, United States

Focused on advanced technology and innovative gameplay for clients including Electronic Arts, Wizards of the Coast and Google.

A leader in the application of game science to adjacent markets.

Proprietary technology, COSOMO™, powers many games and advanced simulations



FOUNDED 2009

2 studios, 1 UK // 1 Canada

A visual design company providing creative services to games, TV, and film partners, including Microsoft, Amazon, Marvel, LEGO® and Sony.

Pipeworks acquired October 2020 - the financial and other information in this presentation excludes Pipeworks unless otherwise stated

INTRODUCTION

**H1 20 results in line
with management
expectations**

**Very strong market
backdrop**

**Strong and resilient
performance through
COVID-19 pandemic**

**Growth in headcount to
832 at 30th June 2020 up 66
from December 2019**

**Acquisition of
Lab42 in May 2020**

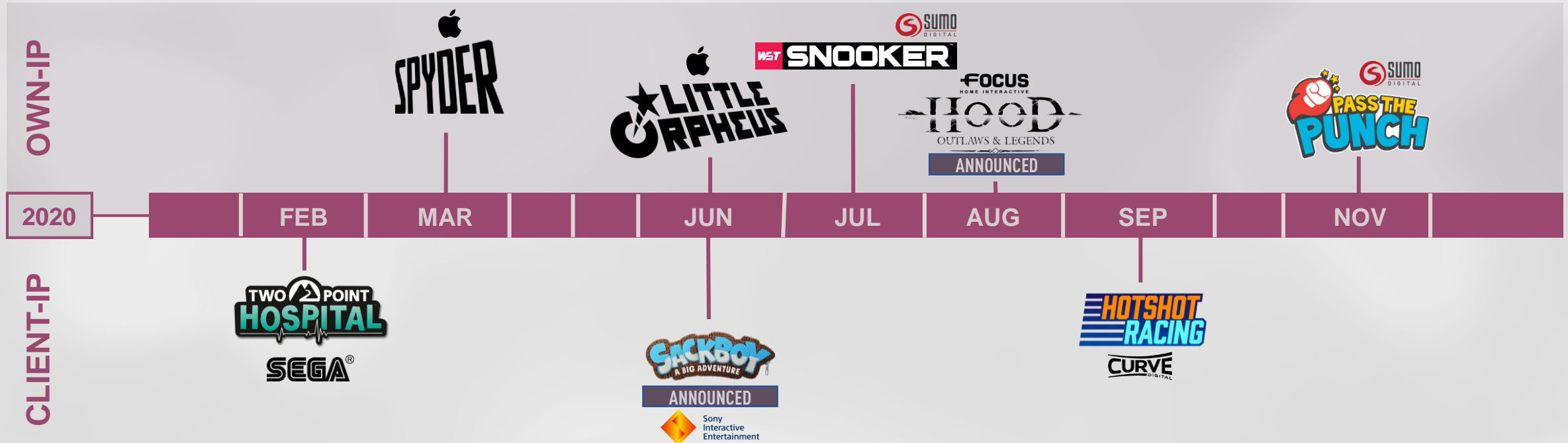
**Seven games launched or
announced including four
Own-IP**

**FY 20
At least in line with
consensus market
expectations**

**FY 21
Very positive outlook**

And the acquisition of Pipeworks for up to \$99.5m

GREAT GAMES LAUNCHED OR ANNOUNCED



STRATEGIC
PARTNERS



SONY
XDEV



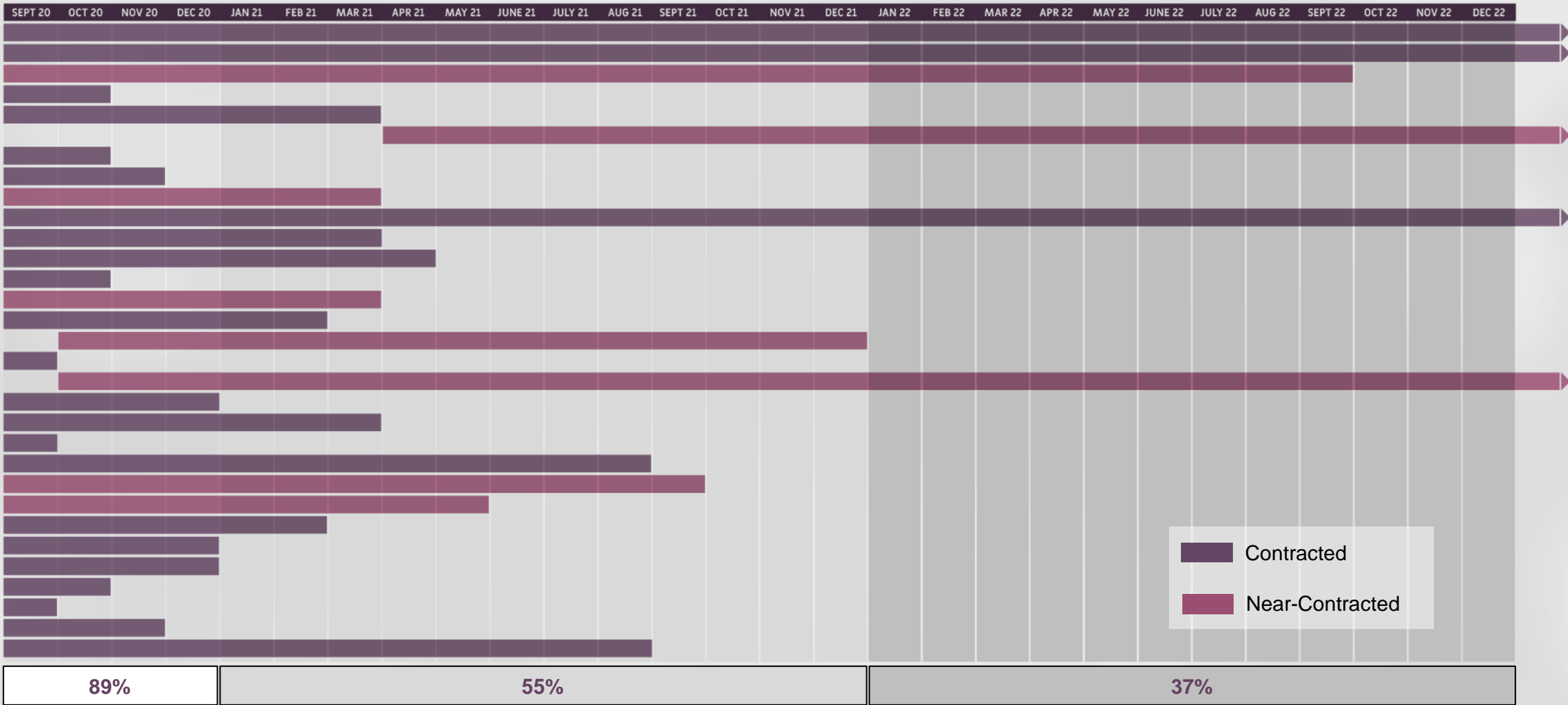
ANNOUNCED
PARTNER



NOW WORKING ON 34 PROJECTS WITH 20 DIFFERENT CLIENTS

LONG TERM CONTRACTED REVENUE

Sumo Digital – Contracted and Near-Contracted development fees



COVID-19 UPDATE

Working remotely	➔	<ul style="list-style-type: none">• All 11 studios• Sheffield, Nottingham and Newcastle open for minimal staff only
Operating effectively	➔	<ul style="list-style-type: none">• Continue to measure our productivity: performance in line with pre-COVID expectations• All milestones delivered as planned across projects• Project closure more challenging
Business development opportunities	➔	<ul style="list-style-type: none">• Very strong pipeline with several contracts recently signed• Underlying demand very strong but some delays in contract execution
Government support measures	➔	<ul style="list-style-type: none">• Have not taken any and do not expect to do so
Return to the studios	➔	<ul style="list-style-type: none">• No plans to return, but keeping the situation under review

IMPACT OF COVID-19



● Project A ● Project B ● Project C ● Milestone Delivery

A

Continued strength in productivity, with an upward average trend.

Successful milestone deliveries: 4/4

B

Average trend shows no loss of productivity. Peaks and troughs due to project phase.

Successful milestone deliveries: 4/4

C

An expected trend based upon the project phase.

Successful milestone deliveries: 5/5

SIX POTENTIAL MISCONCEPTIONS

“Merely work for hire?”

What does “work for hire” mean?

We make great games

Generally turnkey, sometimes co-development

Comparison with quoted peers?

“IP – do we have any & is there a conflict?”

Proprietary technology & management systems

Client-IP: creative input “spiritual ownership”

Own-IP: Sumo’s concepts

Proportions will vary and no tension between Client-IP and Own-IP

“The Video Games Tax Relief risk?”

Proven and effective

Committed to at least the end of 2023

Similar incentives in other countries

COVID-19

“The exposure to a very concentrated client base?”

Small number of major projects

Top 3 vary in identity & order

Blue Chip & strong relationships

Risk of contract cancellation is very low

“Utilisation – unsustainably high?”

Specific measure & not comparable to other sectors

Long record of sustaining mid 90% utilisation

Varies according to project status & mix notably in India

“Sustainable Margins?”

Impacted by royalty income

“Normal” at 43-45% excluding net royalties

Impacted by utilisation and project status & mix notably pass through of VGTR

No downward pressure – specific factors in H1 20

FINANCIAL HIGHLIGHTS FOR H1 20

Revenue

£26.3m

+ 26.7%

(H1 19: £20.8m)

Adjusted gross profit

£11.5m

+ 18.2%

(H1 19: £9.8m)

Adjusted gross margin
excluding royalties

40.6%

(H1 19: 46.3%)

Utilisation (Group)

92.1%

(H1 19: 94.8%)

Adjusted EBITDA

£6.0m

+ 15.2%

(H1 19: £5.2m)

Cash flows from operating
activities

£4.9m

(H1 19: £3.5m)

Net cash

£15.2m

June 2020

(Dec 19 £12.9m & Jun 19 £4.3m)

Contracted/near-contracted
development fees

88.9%

Sept 2020

(Sept 19 94.6%)

1. The reconciliation of statutory to adjusted gross profit is set out in the appendix
2. Adjusted gross margin excluding royalties is calculated as adjusted gross profit excluding net royalty income as a percentage of revenue excluding royalty income
3. The calculation of adjusted EBITDA is shown later in this presentation and as previously announced has changed from H1 19 to FY 19
4. Some figures in this presentation have been rounded to one decimal place

CLIENT AND PROJECT CONCENTRATION

CLIENT	FY 17		FY 18		FY 19		H1 20	
	A	1ST 2 PROJECTS	2ND 2 PROJECTS				3RD 5+ PROJECTS	
	B	2ND 1 PROJECT						
	C	3RD 3 PROJECTS	1ST 3 PROJECTS		1ST 2 PROJECTS		2ND 2 PROJECTS	
	D		3RD 1 PROJECT					
	E				2ND 2 PROJECTS			
	F				3RD 3+ PROJECTS		1ST 3+ PROJECTS	
		6 PROJECTS 58%	6 PROJECTS 53%		7 PROJECTS 64%		10 PROJECTS 57%	











OUR LIVE PROJECTS

ANNOUNCED

UNANNOUNCED

SUMO DIGITAL

ATOMHAWK

									
267	120	80	60	35	37	31	7	30	38
SPYDER (Apple)	PASS THE PUNCH (New-IP)	HOTSHOT RACING (Curve)	HOOD (Focus Home Interactive)	LITTLE ORPHEUS (Apple)	UNANNOUNCED (2K)	NEW-IP	FOOTBALL MANAGER 21 (Sports Interactive)	STAR WARS RACER (Aspyr)	MORTAL KOMBAT 11 - DLC (NetherRealm/ WB Games)
SACKBOY: A BIG ADVENTURE (SONY)	WORK-FOR-HIRE (Sumo Insourcing)	NEW-IP	NEW-IP	NEW-IP	CO-DEVELOPMENT	WORK-FOR-HIRE		UNANNOUNCED (Codemasters)	MINECRAFT EARTH (Microsoft)
UNANNOUNCED (2K)		CO- DEVELOPMENT			CO-DEVELOPMENT	WORK-FOR-HIRE		WORK-FOR-HIRE	+14 OTHER LIVE PROJECTS INCLUDING: MULTIPLE AAA NEW- IP MULTIPLE AAA LICENSED IP
UNANNOUNCED (2K)		WORK-FOR-HIRE			CO-DEVELOPMENT			WORK-FOR-HIRE	
NEW-IP					WORK-FOR-HIRE			WORK-FOR-HIRE	
NEW-IP								WORK-FOR-HIRE	
FRANCHISE									
FRANCHISE									
FRANCHISE									

Headcount figures are studio based direct staff at 31 August 2020

PEOPLE

Headcount	30 June 2019	31 December 2019	30 June 2020	31 August 2020
Direct	560	634	686	705
Indirect	119	132	146	148
Total	679	766	832	853

Starters & Leavers	Growth	Attrition
Location		
United Kingdom	60 (75)	4.9% (4.9%)
India	6 (11)	3.9% (6.6%)
Canada	0 (1)	0 (10.7%)
	66 (87)	4.6% (5.2%)

- In H1 20 29 starters in Lab42 (H1 19 21 in Red Kite Games)
- Normal processes and career progression while working from home
- Flexible practices and arrangements
- Undertaking rewards and benefits review

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

**PLC Board approval of
approach & structure**

March 2020

**Seeking investor & employee
feedback on priority ESG matters – includes
surveys,
Diversity Focus Group, L&D Days**

**Obtaining baseline information
on environmental
impacts and diversity**

**Preparing for
Streamlined Energy and
Carbon Reporting**

**Completing B Corporation
self-assessment to identify
gaps to close to achieve
accreditation score**

**Location on intranet & website
to report on & receive feedback
on ESG matters**

**IT security progress
towards ISO 27001 accreditation**

SUMO DIGITAL ACADEMY



WORKING WITH INDUSTRY PARTNERS AND:



Institute for Apprenticeships
& Technical Education

BOOSTS:

The recruitment pipeline by creating new post-graduate apprenticeships

OPENS:

New pathways into the industry

- **Unrelated subject graduate:** retool a skill set
- **Career changer:** learn on the job
- **Skilled developer from other industry:** transition into games

Now: First trailblazer group of paid interns from academic backgrounds including fashion, history, philosophy and physics.

Also: An investment in the future with schools' outreach programmes, one of which has already yielded a BAFTA Young Game Designer Award (Cameron Crosland // Strung Up)

THE MARKET

The UK games market is valued at

£5.35bn
in 2019

The global games market is valued at

\$152.1bn
in 2019

\$196bn
in 2021

Source: Ukie/Newzoo



Increased digital production

+



More platforms & delivery models

+



Backwards compatibility has resulted in smoothing of console life cycles

=



Increased demand for high-quality creative output

Sumo is well positioned to benefit from that increased demand

PIPEWORKS SUMMARY

Overview

- Founded in 1999 in Eugene, Oregon
- Provides full development, co-development, and live operations to premier video game publishers
- Leader in the application of emerging technology and game science to complementary markets
- Recently secured video game rights to Prominence Poker (free to play, console & PC)

Team

- Team of 134 – including 123 developers
- Primarily based in the studio in Eugene, with remote team members providing presence across the US.

Sectors

- Key video game publishing customers include; Electronic Arts, Wizards of the Coast, Google, Genvid and Age of Learning.
- Strength in AI, Simulation, Machine Learning, Extended Reality, Cloud Streaming and more, has attracted customers in adjacent sectors including education, healthcare, retail, location-based entertainment and the US public sector.

Well known to Sumo

- Pipeworks and the CEO, Lindsay Gupton, are well known to Sumo.
- Like Sumo, the business was formerly owned by Foundation 9 Entertainment

Key Customers:



Selected Titles:



DEAL STRUCTURE

	\$m	Notes
Day 1 consideration	59.5	<ul style="list-style-type: none"> Payable in cash (\$35.0m) and shares (\$24.5m) c.\$23m in cash used to settle debt and fees
FY20 Earn out	8.0	<ul style="list-style-type: none"> Maximum amount payable based on FY20 EBITDA performance
FY21 Earn out	32.0	<ul style="list-style-type: none"> Maximum amount payable based on FY21 EBITDA performance and revenue visibility criteria for FY22
Total enterprise value	99.5	<ul style="list-style-type: none"> Maximum consideration of \$99.5m would be payable on achievement of full earnout

- Completion before the end of October, with Sumo expecting Pipeworks to contribute approximately \$0.8m to Sumo Group's EBITDA in FY20
- The acquisition is subject to certain pre completion conditions, including the separation of MetaTeq, and the the allotment and admission of the shares
- Earn out consideration payable in early 2022 partly in cash (between 30% and 70% at the discretion of Sumo Group), with the balance being settled in shares
- Shares subject to lock-up, 12 months hard and 12 months orderly market for Management and Employees. Half of shares issued to Institutions will be released from a hard lock-up following announcement of Sumo Group's results for the year ending 31 December 2020 with the balance released 6 months thereafter
- The acquisition is expected to be significantly earnings enhancing in FY21, the first full year of ownership

RATIONALE FOR THE DEAL

Access to new clients,
markets and territories

Long-established
relationships and very
strong long-term client list

Attractive location giving
much better access to US
market

Ground-breaking
Original-IP

Proven ability to access
adjacent markets

Proprietary live-game
backend technology
COSOMO and
development/operations
expertise

Synergy opportunity with
Pune studio

Culturally aligned with
common heritage

STRATEGY AND THE NEXT 12 MONTHS



APPENDICES

FINANCIAL CALENDAR

Financial year end	31 December 2020
Announcement of full year results	April 2021
Publication of Annual Report and Accounts	May 2021
Annual General Meeting	June 2021

THE TEAM



Carl Cavers

Co-Founder & Chief Executive Officer

- Co-founded Sumo Digital in 2003
- Over 20 years of industry experience having previously been VP of Development at Infogrames
- 2015 recipient of the TIGA Most Outstanding Individual Award
- Led secondary buy-out with Perwyn in 2016



Paul Porter

Co-Founder & Chief Operating Officer

- Co-founded Sumo Digital in 2003
- Over 25 years of industry experience having previously been Head of Core Technology at Gremlin Interactive
- Previously Managing Director of Sumo Digital
- Appointed COO in April 2019



David Wilton

Chief Financial Officer

- Big Four qualified chartered accountant with c.30 years post-qualified experience as Finance Director, Non Executive Director and Consultant. Previously worked in M&A with Rothschild
- Experience of PLC and Private Equity roles including as Group Finance Director of WYG plc and as Non Executive Director and Chair of the Audit Committee of Sweett Group plc
- Appointed CFO in 2017

OUR COMPETITIVE ADVANTAGE



**OUR PEOPLE:
GAME
DEVELOPMENT
AND CREATIVE
SERVICES**



TECHNOLOGY



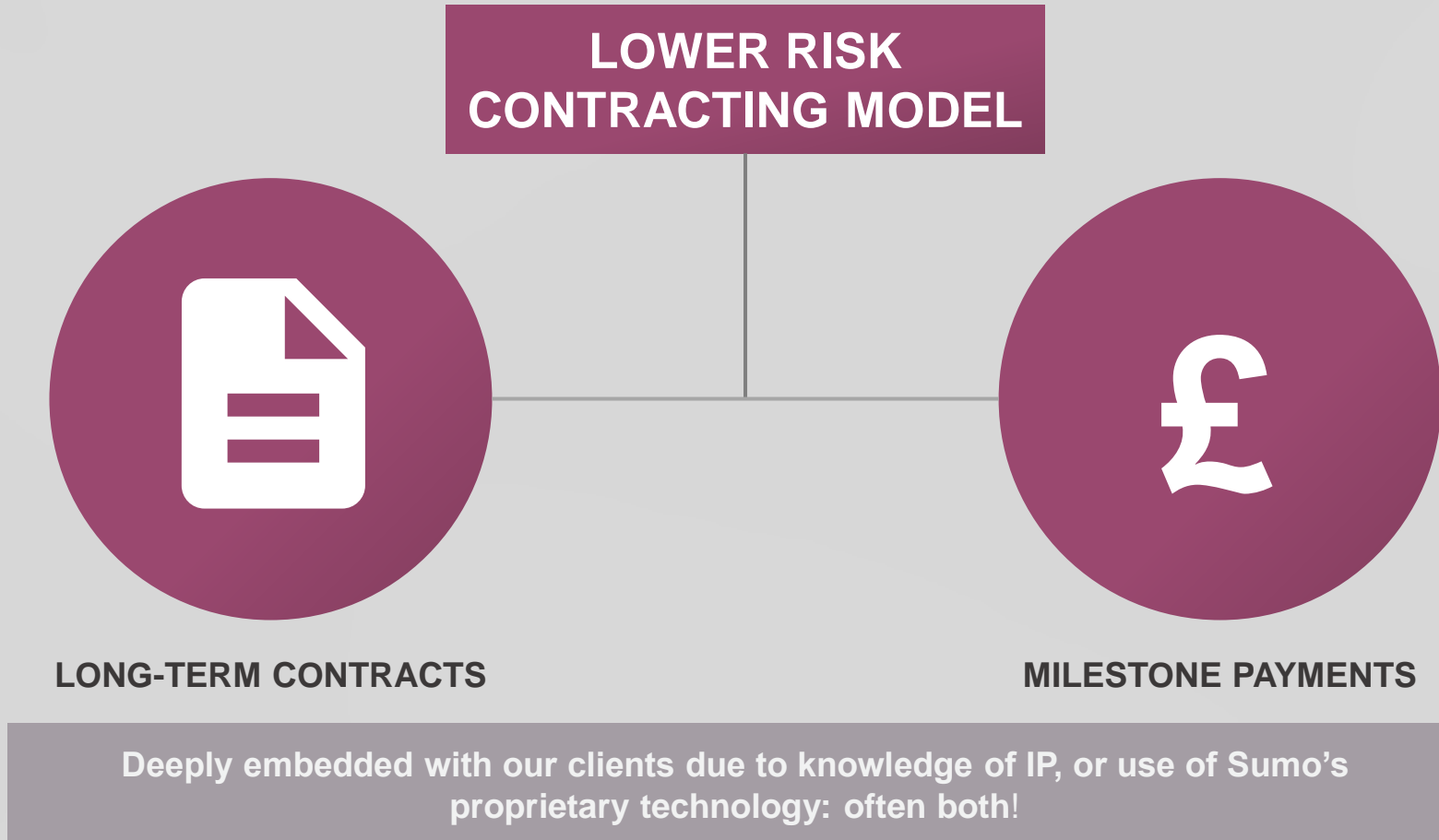
**MANAGEMENT
SYSTEMS**



SCALE

Enable us to offer flexible, end-to-end turnkey and co-development solutions for publishers and other developers.

THE SUMO BUSINESS MODEL



THE SUMO CORE DEVELOPMENT REVENUE MODEL

Visibility of development fees with upside from back-end royalties

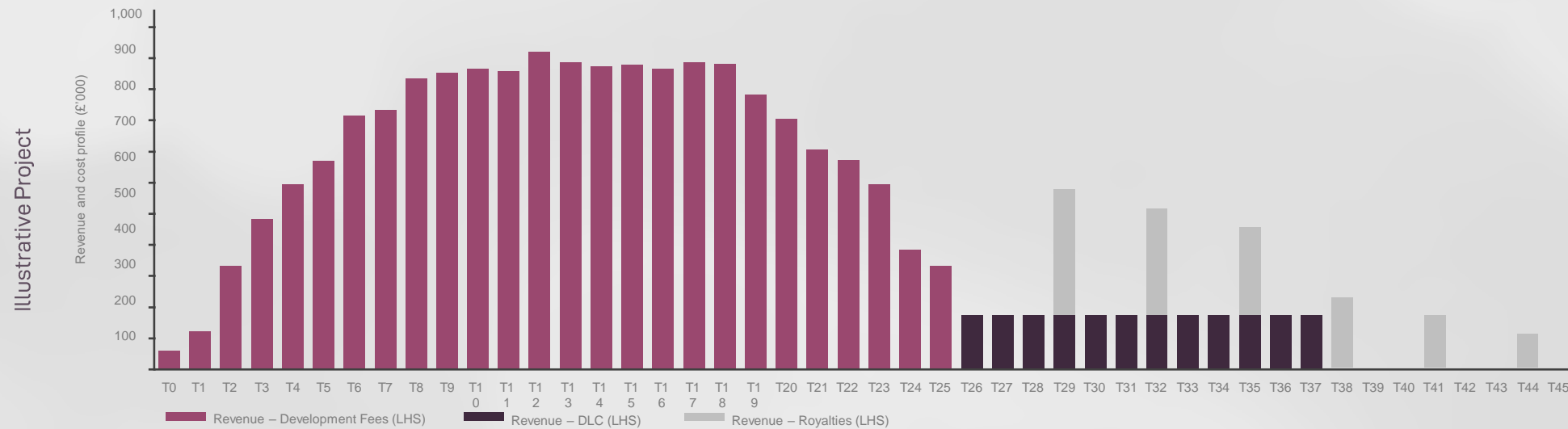
Concept & Pre- Production

Production and Finalisation

Downloadable Content & Games as a Service

Contracted Development Fees – Paid on a 4-6 week development cycle based on milestones

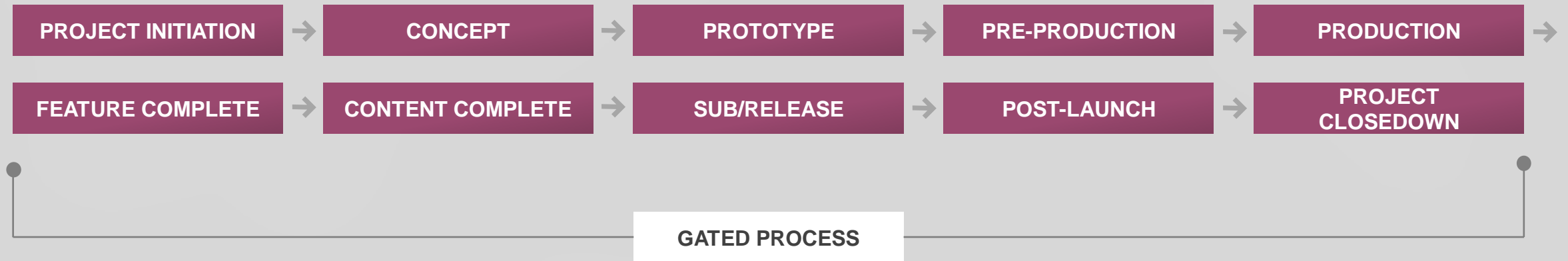
Royalties



Sumo control production and delivery...

... and share in upside on strategic projects

SUMO GAME DEVELOPMENT FRAMEWORK















Sumo provides monthly/6 weekly milestone deliverables: de-risk the overall performance delivery on the contract and the game

THREE TYPES OF CONTRACT

Contract type	Game Development (Turn Key or Co-Dev)	Own-IP – Game revenues	Original concept creation developed in partnership with third party
Funding	Publisher	Sumo or third party	Co-funded with or fully funded by partner
Control of IP	Publisher	Sumo	Publisher (Sumo may retain legal ownership)
Payment model	Milestones payments plus royalties as earned	Game sale revenues or guaranteed royalty (if developed by a third party)	Milestones and royalties
Accounting	<p>Development fees recognised using estimate of contract margin & percentage of completion</p> <p>Royalties earned subject to IFRS 15 recognition principles</p> <p>Development costs expensed as incurred</p>	<p>Recognise revenue as earned or guaranteed royalties as contractual obligation triggered</p> <p>Capitalise development costs as intangible asset with regular impairment reviews (IAS 38)</p>	<p>Development fees as for publisher funding</p> <p>Sumo investment expensed as incurred</p>

ANALYSTS AND SHAREHOLDERS

The analysts who have published research on Sumo:

 Ross Broadfoot	 Patrick O'Donnell
 Bob Liao	 Benjamin May
 James Lockyer	 Ken Rumph
 Katie Cousins	 Andy Bryant
 Steve Robertson	 James Sesay
 Eleonora Dani	 Alasdair Young

The shareholders who own Sumo:

Significant shareholders	Number of shares	% Holding
Perwyn Bidco (UK) Limited	26,170,961	16.4%
Mount Emei Investment (Tencent)	15,000,000	9.4%
BlackRock Inc	14,395,963	9.0%
Directors & related holdings	11,725,597	7.4%
Swedbank Robur Fonder AB	9,028,477	5.7%
Liontrust Investment Partners LLP	8,000,000	5.0%
Premier Miton	7,584,602	4.8%
Schroder Investment Management	6,500,000	4.1%
Aghoco 1337 Limited (as trustee of the Sumo Group plc EBT)*	4,618,735	2.9%
Total number of shares in issue	159,368,407	
Fully diluted share capital	166,939,647	

SHARE BASED PAYMENTS

	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Management incentive schemes	Actual £m	Actual £m	Forecast £m	Forecast £m	Forecast £m	Forecast £m
Nil cost options at or after IPO	0.8	0.4	-	-	-	-
LTIP awards	2.1	2.2	2.7	1.8	0.9	0.3
Share Incentive Plan	0.1	0.1	0.1	-	0.0	-
Total	3.0	2.7	2.8	1.8	0.9	0.3

Cost includes IFRS2 charge and NI cost before deferred tax credit
Existing LTIP awards only

REVENUE AND GROSS PROFIT

Y/e 31 December	H1 20 £m	H1 19 £m	FY 19 £m	YoY growth	Notes
Revenue					
Client-IP					
Development	21.0	12.7	31.3		
Royalty	0.6	0.3	1.3		
Own-IP					
Development	3.5	7.7	16.0		
Royalty	1.1	-	-		Significant Own-IP Royalties
Game revenues	0.1	0.1	0.4		
Total revenue	26.3	20.8	49.0	26.7%	
Gross profit	10.8	9.3	23.9	16.6%	
Adjusted gross profit	11.5	9.8	25.2	18.2%	Investment in co-funded games expensed £0.7m (H1 19 £0.5m, FY 19 £1.3m)
Gross margin	41.2%	44.8%	48.9%		
Adjusted gross margin excluding royalties	40.6%	46.3%	50.2%		

Client-IP: Strong track record of creating high quality content for publishers and likely to continue to represent majority of revenue

Own-IP: Longer term monetisation opportunity and range of project sizes with larger projects entirely or mainly funded by publishers

Overall mix of Client-IP & Own-IP will vary depending on project mix and status during the financial period

GROSS PROFIT – RECONCILIATION OF STATUTORY TO ADJUSTED

	H1 20 £m	H1 19 £m	FY 19 £m
Statutory	10.8	9.3	23.9
Investment in co-funded games expensed	0.7	0.5	1.3
Adjusted	11.5	9.8	25.2

ADJUSTED EBITDA

	H1 20	H1 19	FY 19	YoY Growth
	£m	£m	£m	
Statutory operating profit	2.4	1.4	7.5	
Amortisation	0.2	0.5	0.8	
Depreciation	1.6	1.0	2.2	
Share based payments	1.1	2.0	2.7	
Investment in co-funded games expensed	0.7	0.5	1.3	
Operating lease costs capitalised under IFRS 16	(0.7)	(0.5)	(0.9)	
Exceptional items (transaction fees)	0.7	0.3	0.5	
Adjusted EBITDA	6.0	5.2	14.1	15.3%
Adjusted EBITDA margin	22.8%	25.1%	28.7%	

WORKING CAPITAL

	June 2019 £m	December 2019 £m	June 2020 £m
Revenue in excess of billings			
“Contract 1”	2.3	1.3	1.6
Other	3.3	6.9	4.8
Trade debtors	11.1	5.8	6.9
Work in progress	0.8	0.7	0.1
VGTR	10.0	5.7	6.5
Other	1.8	3.2	3.7
	29.3	23.6	23.6
Trade creditors	(6.3)	(3.1)	(2.3)
Contract liabilities	(0.8)	(0.4)	(0.5)
IFRS 16 lease liabilities < 1 year	(1.0)	(0.8)	(1.3)
Other provisions	(7.5)	(9.9)	(8.9)
	(15.6)	(14.2)	(13.0)
Net working capital (exc. IFRS16 lease liability)	14.7	10.2	11.9
Cash	4.3	12.9	15.2

CONSOLIDATED BALANCE SHEETS

	June 2020	June 2019	December 2019	Notes
	£m	£m	£m	
Goodwill and intangibles	24.3	23.4	24.0	
PPE	13.7	8.2	11.7	
Deferred tax asset	3.0	2.7	2.5	
Trade and other receivables	23.6	29.3	23.7	
Cash	15.2	4.3	12.9	Placing in July raised £13.1m net
Trade and other payables	(13.0)	(15.6)	(14.2)	
Corporation tax (payable) / receivable	-	(0.7)	0.7	
IFRS 16 lease liabilities > 1 year	(7.9)	(4.0)	(6.5)	
Net assets	58.9	47.6	54.8	

CONSOLIDATED CASH FLOW STATEMENT

Y/e 31 December	H1 20 £m	H1 19 £m	FY 19 £m	Notes
Operating profit	2.4	1.4	7.5	
Depreciation	1.6	1.0	2.2	
Amortisation	0.2	0.6	0.8	
Share based payment charge	1.1	2.0	2.6	
Movement in trade and other receivables	1.0	(4.1)	1.8	
Movement in trade and other payables	(1.4)	2.6	1.3	
Net cash flow from operating activities	4.9	3.5	16.3	
Net finance (costs) / income	(0.2)	(0.1)	(0.2)	
Tax received / (paid)	0.7	(0.8)	(1.6)	
Purchase of intangible assets	(0.4)	(0.2)	(0.8)	
Capex	(1.8)	(1.4)	(3.3)	
Acquisition	(0.3)	-	-	Acquisition of Lab42
Proceeds of borrowings	10.0	-	-	
Repayment of borrowings	(10.0)	-	-	
Outflow of financial debt – IFRS 16	(0.6)	(0.4)	(1.0)	
Net cash inflow / (outflow)	2.3	0.6	9.4	

GUIDANCE/UPDATE

COVID-19	➔	<ul style="list-style-type: none"> • Expecting continuing WFH with phased & partial return to studios in FY 21 • WFH – saving in travel & entertainment partly offset by additional IT support and welfare costs
Margins	➔	<ul style="list-style-type: none"> • Specific factors in H1 20 – pre-contract working, Snake Pass 2 costs and holiday pay accrual • Underlying gross margin remains strong. Adjusted gross margin 40.6% v underlying 47.7%
Tax	➔	<ul style="list-style-type: none"> • Tax charge driven by deferred tax on share-based payment charge, VGTR and timing of game launches
Working capital	➔	<ul style="list-style-type: none"> • Normal levels of working capital in FY 20 expecting a relatively small outflow
Capex	➔	<ul style="list-style-type: none"> • Expecting c £5.5m in FY 20: £2.9m IT and £2.6m premises (Sheffield, Newcastle and Brighton) • Expecting c £4.5m in FY 21: £3.0m IT and £1.5m premises
FY 2020	➔	<ul style="list-style-type: none"> • Expecting significant H2 weighting reflecting the timing of projects and increasing headcount



THANK YOU

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