

Meet the team



Stephen Kelly CEO
Joined Nov 2014



Steve Hare CFO
Joined Jan 2014



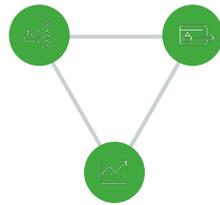
Blair Crump President
Joined Aug 2016

Investment case

- ✓ **High quality recurring revenue growth**
70% recurring revenue growing at >10% p.a.
- ✓ **Significant cost savings**
£50m annualised cost savings (3% revenue delivered in FY16 and targeted for FY17)
- ✓ **Strong free cash flow**
Free cash conversion 15-20% of revenue (FY16: 15%)
- ✓ **Sustainable and progressive dividend**
Increase in ordinary dividend every year since 2000

About Sage

Sage is the market leader for integrated software solutions, providing the golden triangle of accounting, payroll/HCM and payment solutions.



Our total addressable market

- There are 72m businesses in our market, of which only around 1/5 have a purchased software solution.
- The market is fragmented with competitors varying by geography and segment: our ambition is to grow our position as the global market leader.
- Sage is the only global company who can take a company from start-up through scale up to enterprise, providing hybrid on-premise / cloud products for the 'customer for life' installed base and cloud accounting products to win new customers.

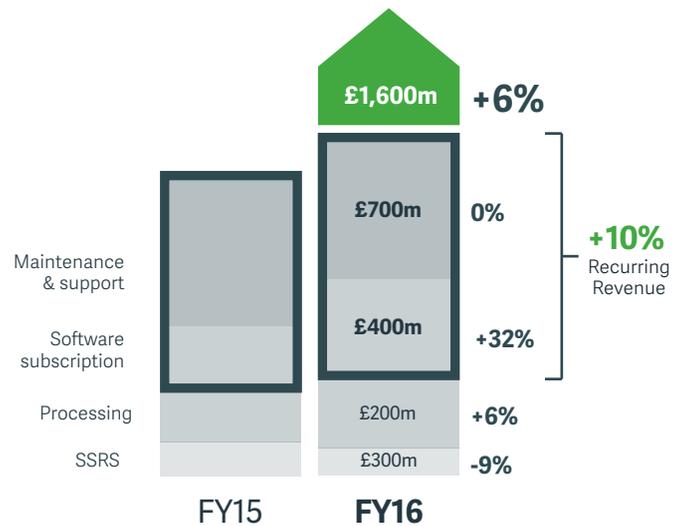


Revenue categories

Our £1.6bn revenue is made up as follows:

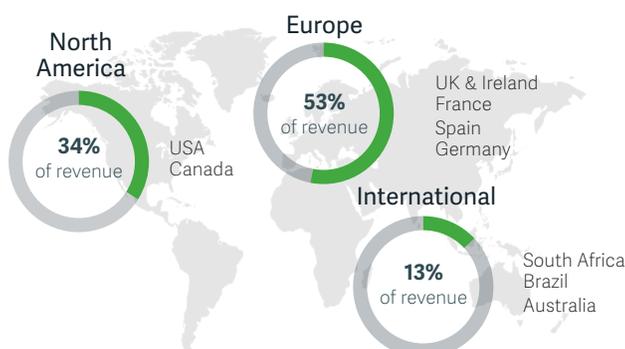
- Recurring revenue, comprising software subscription revenue from subscription contracts and maintenance and support from on-plan customers.
- Processing revenue comprising payroll and payments revenue.
- Software and software related services (SSRS revenue), comprising licences and services (e.g. training, implementation).

As we progress with the transition to subscription we expect that SSRS will continue to decline as recurring revenue grows, whilst maintaining operating margins of at least 27%.



Our global reach

We serve 3m customers in 23 countries. Our top 9 countries provide 95% of our revenue.



Financial performance and outlook

Financial performance	FY15	FY16	FY17 (Guidance)
Statutory revenue	£1,477m	£1,567m	
Organic revenue growth	+6%	+6%	At least 6%
Organic operating profit	£391m	£427m	
Underlying margin %	26.5%	27.2%	At least 27%
Underlying cash conversion	106%	100%	

Sage before the transformation

- Sage was established in 1981 as one of the first accountancy software players in the market.
- The company grew quickly through acquisition to become market leader in many of its geographies.
- As time progressed and Sage was established as an incumbent, it became slow to embrace the changing competitive landscape.
- Stephen Kelly and Steve Hare joined the company in 2014 and recognised significant opportunities for growth and efficiencies.
- The strategy and transformation to realise these opportunities was detailed at the June 2015 Capital Markets Day.

The 5 strategic pillars



Customers for life

Continuing to drive growth through our installed base with the transition to subscription

Winning in the market

Growing our market share with cloud accounting products

Revolutionising business

Leapfrogging competition with the latest technological innovations

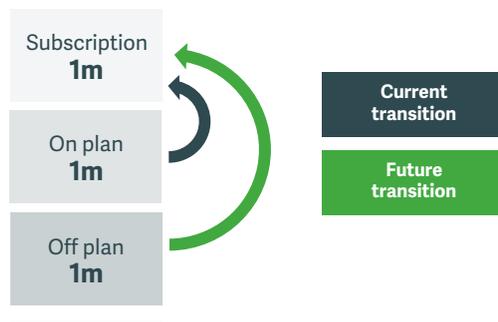
Capacity for growth

Increasing efficiencies and reinvesting for growth

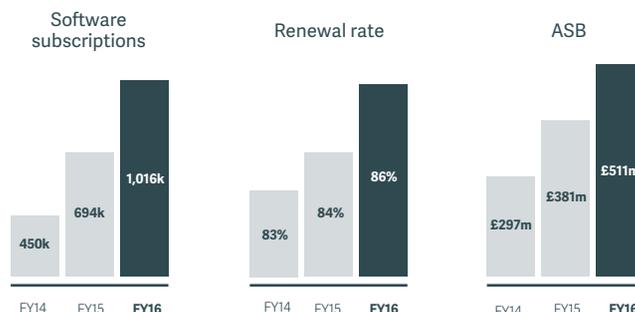
One Sage

One company, working collaboratively with pace and agility

2. Transition the installed base to subscription: 1m customers are now on a subscription contract, driven from on-plan customers (licence + M&S) with more to come.



- Once on-plan customers have been migrated, the next focus will be to reactivate off-plan customers (licence only).
- Strong progress has been made to date in the transition to subscription:



The transformation – phase 2

- October 2016 - September 2017
- Continuing progress in reducing the G&A expense and transitioning customers to subscription.
- Laser focus on new customer acquisition through:

✓ **Cloud accounting products:**
Launched in our top 9 geographies

✓ **Sage President:**
Blair Crump hired to lead go-to-market functions

✓ **Customer business centres:**
Established in Atlanta and Dublin

✓ **Digital marketing and brand:**
Significant investment to generate leads and increase 'zero-touch' sales

- Continuing investment in the latest technological innovations. More here from our CTO: <https://t.co/CMFdDentjs>

The transformation – phase 1

- June 2015 – September 2016
- 1. Improve margin profile: Over £50m of annualised cost savings were identified from G&A expense, reinvested into go-to-market functions of sales and marketing, cutting the G&A expense ratio from 19% to 16% in FY16.

