

## Meet the team



**Steve Hare**  
Interim COO / CFO  
Joined Jan 2014



**Blair Crump**  
President  
Joined Aug 2016

## Investment case

- ✓ **High quality recurring revenue growth**  
78% recurring revenue, 44% software subscription revenue
- ✓ **Significant cost savings**  
G&A as proportion of sales trending down, currently 14% from 19% in FY15
- ✓ **Strong free cash flow**  
Free cash conversion 15-20% of revenue (H1 18: 17%)
- ✓ **Sustainable and progressive dividend**  
Increase in ordinary dividend every year since 1999 (H1 18: 8% increase)

Sage is the global market leader for technology that helps businesses of all sizes from start-up to enterprise.

## About Sage



With Sage Business Cloud we provide the one and only business management solution that customers will ever need across Accounting, Financials, Enterprise, People & Payroll and Payments & Banking.

## Our total addressable market

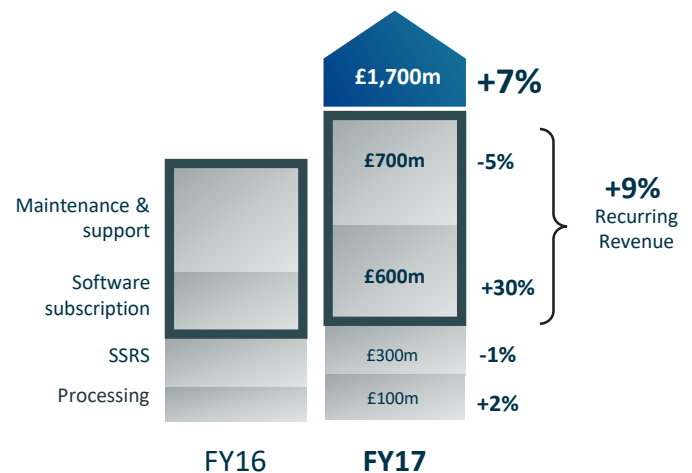


- There are 82m businesses in our total addressable market
- Competition is fragmented, varying by geography.
- Sage is the only global company who can take a company from start-up through scale up to enterprise with Sage Business Cloud

## Revenue categories

Our £1.7bn 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).



**Enterprise**  
200-2,000+ employees  
200k businesses

**Scale up**  
10-200 employees  
5m businesses

**Start up**  
0-9 employees  
77m businesses

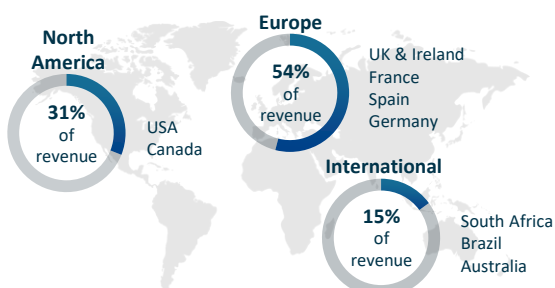
**Customer for life products**

**Winning in the market products**

- sage | Enterprise Management
- sage | Intacct
- sage | Financials
- sage | Accounting

## Our global reach

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



## Sage Business Cloud ARR



Cloud revenue	H1 18 ARR	Growth
Cloud connected	£205m	+72%
Cloud native	£131m	+37%
<b>Sage Business Cloud</b>	<b>£336m</b>	<b>+57%</b>

## Financial performance and outlook

Financial performance	FY17	H1 18	FY18 guidance	Mid-term guidance	Longer-term guidance
Organic revenue	£1,696m	£908m			
Organic revenue growth	+7%	+6%	Around 7%	To reach 10%	At least 10%
Operating profit	£475m	£222m			
Operating margin %	28.0%	24.5%	Around 27.5%	At least 27%	At least 30%
Underlying cash conversion	95%	99%			

## Addressing the market opportunity

### Revenue acceleration

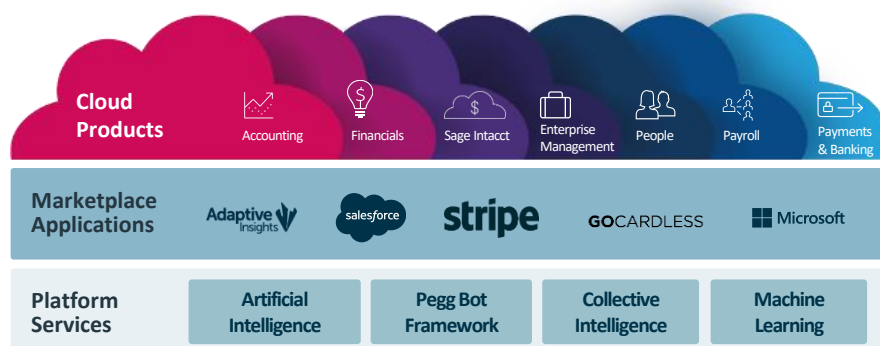
#### Transitioning the installed base

There is significant potential to accelerate growth through the installed base of 3m customers, which will generate most of the acceleration for the next 2-3 years:

Off-plan <b>&lt;1m</b>	<ul style="list-style-type: none"> <li>Reactivate onto subscription and the cloud</li> </ul>
Maintenance & support <b>900k</b>	<ul style="list-style-type: none"> <li>Transition to subscription and the cloud</li> </ul>
On-premise subscription <b>700k</b>	<ul style="list-style-type: none"> <li>Transition to the cloud</li> </ul>
Cloud subscription <b>600k</b>	<ul style="list-style-type: none"> <li>Drive increasing value</li> </ul>

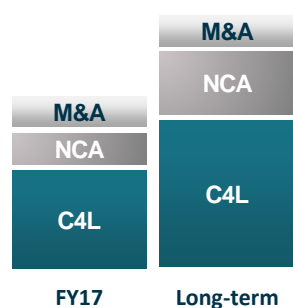
#### Driving new customer acquisition

New customer acquisition through Sage Business Cloud will also start to generate accelerating growth, becoming more significant in the mid-term (next three years).



### Long-run revenue model

- Over the long run, Sage expects around half of revenue growth to come from existing customers and around half to come from new customer acquisition.



### Margin progression

- Over the next three years, Sage will identify another 500bps of cost savings. These cost savings will either be reinvested into go-to-market to target further acceleration, or be realised to increase margin.

