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- Rounding
As a result of rounding throughout this document, it is possible that tables may not cast and change percentages may not calculate precisely.

- Materiality
Only figures over £1m are considered to be material for the purposes of this presentation.
Stephen Kelly
Chief Executive Officer
@SKellyCEO

• Welcome
• CFO review
• Progress
• Outlook
• Q&A
Progress in the transformation
Progress in the transformation

Software subscription penetration

G&A as a % of revenue

Net promoter score

Cloud annualised recurring revenue

Sage Group plc Year End Results 2017

#SageResults
FY17 Summary

Transformation complete

The strategy is working

Accelerating momentum through Sage Business Cloud
## Organic and underlying revenue

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY17</th>
<th>FY16</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic revenue*</td>
<td>£1,696m</td>
<td>£1,591m</td>
<td>+6.6%</td>
</tr>
<tr>
<td>Organic adjustments</td>
<td>£24m</td>
<td>£5m</td>
<td></td>
</tr>
<tr>
<td>Impact of foreign exchange</td>
<td>-</td>
<td>(£157m)</td>
<td></td>
</tr>
<tr>
<td>Underlying (as reported) revenue</td>
<td>£1,720m</td>
<td>£1,439m</td>
<td>+19.5%</td>
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<tr>
<td>Recurring items</td>
<td>(£5m)</td>
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<tr>
<td>Statutory revenue</td>
<td>£1,715m</td>
<td>£1,439m</td>
<td>+19.2%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Profit Margin %</th>
<th>FY17</th>
<th>FY16</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic</td>
<td>28.0%</td>
<td>27.1%</td>
<td>+90bps</td>
</tr>
<tr>
<td>Underlying</td>
<td>27.0%</td>
<td>27.0%</td>
<td>-</td>
</tr>
</tbody>
</table>

*See appendix for definitions*
## Financial summary

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY16</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic revenue</strong></td>
<td>£1,696m</td>
<td>£1,591m</td>
<td>+6.6%</td>
</tr>
<tr>
<td><strong>Organic operating profit</strong></td>
<td>£475m</td>
<td>£431m</td>
<td>+10.3%</td>
</tr>
<tr>
<td>Organic Margin %</td>
<td>28.0%</td>
<td>27.1%</td>
<td>+90bps</td>
</tr>
<tr>
<td>Underlying basic EPS</td>
<td>31.90p</td>
<td>30.82p</td>
<td>+3.5%</td>
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<tr>
<td>Underlying adjusted EPS</td>
<td>33.10p</td>
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<td>Non-recurring items (exceptional costs)</td>
<td>(£70m)</td>
<td>(£108m)</td>
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<tr>
<td>Recurring items</td>
<td>(£49m)</td>
<td>(£18m)</td>
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<tr>
<td>Organic adjustments</td>
<td>(£8m)</td>
<td>£1m</td>
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<tr>
<td>Impact of foreign exchange</td>
<td>-</td>
<td>(£39m)</td>
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<tr>
<td><strong>Statutory Operating Profit</strong></td>
<td>£348m</td>
<td>£267m</td>
<td>+30.3%</td>
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### Reconciliation to Non-GAAP EBITDA:

<table>
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<tr>
<th></th>
<th>FY17</th>
<th>FY16</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td><strong>Organic operating profit</strong></td>
<td>£475m</td>
<td>£431m</td>
<td>+10.3%</td>
</tr>
<tr>
<td>Share based payments</td>
<td>£7m</td>
<td>£8m</td>
<td></td>
</tr>
<tr>
<td>Organic depreciation and amortisation</td>
<td>£32m</td>
<td>£31m</td>
<td></td>
</tr>
<tr>
<td><strong>Non-GAAP EBITDA</strong></td>
<td>£514m</td>
<td>£470m</td>
<td>+9.1%</td>
</tr>
<tr>
<td>Non-GAAP EBITDA margin</td>
<td>30.3%</td>
<td>29.6%</td>
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## Strong capital metrics

<table>
<thead>
<tr>
<th>Underlying operating profit</th>
<th>£496m</th>
</tr>
</thead>
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<tr>
<td>Depreciation/amortisation</td>
<td>£36m</td>
</tr>
<tr>
<td>Share-based Payments</td>
<td>£6m</td>
</tr>
<tr>
<td>Change in working capital and deferred income</td>
<td>(£18m)</td>
</tr>
<tr>
<td>Net CAPEX</td>
<td>(£52m)</td>
</tr>
<tr>
<td>Other adjustments</td>
<td>£2m</td>
</tr>
</tbody>
</table>

**Underlying cash flow from operating activities**: £470m

- Net interest: (£20m)
- Tax paid: (£102m)
- Non-recurring (exceptional) costs: (£72m)

**Free cash flow**: £276m

As a % of revenue: 15%

**Return on Capital Employed**: 27%

**Net leverage**: 1.6x

<table>
<thead>
<tr>
<th>Opening net debt</th>
<th>(£398m)</th>
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<tr>
<td>Free cash flow</td>
<td>£276m</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>(£544m)</td>
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<tr>
<td>Ordinary dividends</td>
<td>(£157m)</td>
</tr>
<tr>
<td>Share transactions</td>
<td>(£5m)</td>
</tr>
<tr>
<td>Exchange movement on debt</td>
<td>£13m</td>
</tr>
<tr>
<td>Other adjustments</td>
<td>£2m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Closing net debt</th>
<th>(£813m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net leverage</td>
<td>1.6x</td>
</tr>
</tbody>
</table>
Organic revenue categories

FY16

Software subscription

Other recurring

SSRS Processing

FY17

+7%

+30%

-5%

-1%

+2%

Recurring Revenue

+9%
Software subscriber growth

Growth in ASB of £170m to £705m in FY17

32%
Sage Business Cloud Revenue

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY17 ARR</th>
<th>FY16 ARR</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud enabled&lt;sup&gt;1&lt;/sup&gt;</td>
<td>£173m</td>
<td>£80m</td>
<td>+117%</td>
</tr>
<tr>
<td>Internally generated pure cloud&lt;sup&gt;2&lt;/sup&gt;</td>
<td>£36m</td>
<td>£19m</td>
<td>+88%</td>
</tr>
<tr>
<td>Acquired cloud&lt;sup&gt;3&lt;/sup&gt;</td>
<td>£91m</td>
<td>£65m</td>
<td>+41%</td>
</tr>
<tr>
<td><strong>Sage Business Cloud</strong></td>
<td><strong>£300m</strong></td>
<td><strong>£164m</strong></td>
<td><strong>+83%</strong></td>
</tr>
</tbody>
</table>

1 Cloud enabled versions of Sage 50 and Sage 200 families
2 Sage One, Sage Live, cloud-version of Sage X3
3 Sage Intacct and Sage People
Regional overview

*Aggregation of Northern Europe and Central & Southern Europe
Europe

FY17 performance

- Central Europe: 12% revenue growth
- Iberia: 10% revenue growth
- Northern Europe: 7% revenue growth, driven by:
  - 86% growth in Sage 50 Cloud
  - Sage X3 – 48% growth
- France: 1% revenue growth
- Winning in the market:
  - 41% growth in Sage One revenue
  - 24% growth in Sage X3 revenue

Focus for FY18

- Driving growth through Sage Business Cloud and the transition to subscription
- France:
  - Partner channel
  - New leadership

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY17 £m</th>
<th>FY16 £m</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>£736m</td>
<td>£686m</td>
<td>+7%</td>
</tr>
<tr>
<td>Processing</td>
<td>£37m</td>
<td>£37m</td>
<td>0%</td>
</tr>
<tr>
<td>SSRS</td>
<td>£169m</td>
<td>£162m</td>
<td>+4%</td>
</tr>
<tr>
<td>Total</td>
<td>£942m</td>
<td>£885m</td>
<td>+6%</td>
</tr>
</tbody>
</table>
North America

**FY17 performance**

- North America: software subscription growth up 97%
- Canada: double digit organic and recurring growth, driven by Sage 50 Cloud and Sage 200 Cloud
- USA: triple digit software subscription growth in Sage 50 Cloud & 200 Cloud
- Winning in the market
  - Record ARR at Sage Intacct of over $100m
  - Sage X3 growth of 20%

**Focus for FY18**

- Further growth through Sage Business Cloud, particularly in scale-up and enterprise
- Continuing to drive growth through the partner channel

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### Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY17 £m</th>
<th>FY16 £m</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>£378m</td>
<td>£347m</td>
<td>+9%</td>
</tr>
<tr>
<td>Processing</td>
<td>£32m</td>
<td>£31m</td>
<td>+2%</td>
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<tr>
<td>SSRS</td>
<td>£71m</td>
<td>£79m</td>
<td>-11%</td>
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<tr>
<td>Total</td>
<td>£481m</td>
<td>£457m</td>
<td>+5%</td>
</tr>
</tbody>
</table>
International

FY17 performance

- Double digit growth in Brazil, Africa and Middle East
- Increased software subscription penetration
- Australia: 7% growth, with strong recurring revenue growth
- Winning in the market:
  - South Africa: 66% revenue growth in Sage One
  - Strong Sage X3 momentum

Focus for FY18

- Driving growth through Sage Business Cloud

### Recurring Mix

<table>
<thead>
<tr>
<th></th>
<th>FY17 £m</th>
<th>FY16 £m</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>£200m</td>
<td>£174m</td>
<td>+15%</td>
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<tr>
<td>Processing</td>
<td>£14m</td>
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<td>+7%</td>
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<tr>
<td>SSRS</td>
<td>£59m</td>
<td>£62m</td>
<td>-5%</td>
</tr>
<tr>
<td>Total</td>
<td>£273m</td>
<td>£249m</td>
<td>+10%</td>
</tr>
</tbody>
</table>
Financial discipline

- Managed portfolio
- Efficient Capital Allocation
- Strong financial discipline

Annualised savings >£50m
Profitable growth
Organic Operating Profit Margin

**FY16**
- G&A: +360bps
- Product Development: -60bps
- GTM: -210bps

**FY17**
- 27.1%
- 28.0%
Iberia Organic Revenue Growth

- FY14: 2%
- FY15: 5%
- FY16: 7%
- FY17: 10%
FY17 Summary

- Guidance achieved
- Capital allocation and financial discipline
- Strong revenue momentum
Stephen Kelly
Chief Executive Officer
@SKellyCEO
Strategic Pillars

- Customers for Life
- Winning in the Market
- One Sage
- Revolutionise Business
- Capacity for Growth
Customers for Life: Cloud enabled solutions

**FY17**

**Revenue**
£133m
+140%

**Contracts**
172,000
+87%
Customers for Life

Software subscription revenue penetration

- **SFY16:**
  - Software subscription: 30%
  - Other recurring: 46%
  - SSRS Processing: 19%
  - Total: 78%

- **FY17:**
  - Software subscription: 37%
  - Other recurring: 41%
  - SSRS Processing: 17%
  - Total: 78%

NPS scores

- **FY15:** +3
- **FY16:**
- **FY17:**
- **Q417:** +25

Sage Group plc Year End Results 2017
Winning in the Market

Blair Crump
President
Winning in the Market – local marketing campaign

- 33% rise in web sessions to sage.co.uk
- 11% rise in brand awareness
- 8 million people reached by #sagestories celebrating business heroes
## Winning in the Market

### FY 14

<table>
<thead>
<tr>
<th>Product</th>
<th>USA</th>
<th>UK &amp; Ireland</th>
<th>France</th>
<th>Spain</th>
<th>Germany</th>
<th>Canada</th>
<th>Brazil</th>
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Winning in the Market

FY 17

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Sage Group plc Year End Results 2017
Winning in the Market

- **sage X3**
  - Revenue growth +20%
  - >50 contracts >£100k

- **sage Live**
  - Four-fold increase in ACV to £3,900

- **sage One**
  - ARR +76%
  - ACV +34% to £81
Revolutionise business

SAGE BUSINESS CLOUD

sage Intacct
sage One  sage 200c
sage Live  sage X3  sage 50c
sage People  Pegg
Revolutionise business

Cloud Products
- Accounting
- Financials
- Enterprise Management
- People
- Payroll
- Payments & Banking

Marketplace Applications
- Salesforce
- American Express
- Stripe
- PayPal
- Microsoft

Sage Developer Platform
- APIs
- SDK
- Tools

Platform Services
- Artificial Intelligence
- Pegg Bot Framework
- Collective Intelligence
- Data Science
Revolutionise business

Sage Group plc Year End Results 2017
Capacity for Growth

- Managed portfolio
- Efficient Capital Allocation
- Strong financial discipline

Annualised savings >£50m
Profitable growth

Sage Group plc Year End Results 2017
One Sage

Sage Foundation

23,000
Paid days spent in the community

£1.8m
Grants awarded in FY17
FY18 Outlook

- Organic revenue growth: Around 8%
- Organic operating margin: Around 27.5%
- No further exceptional charge from this transformation
FY17 Summary

- The strategy is working
- Transformation complete
- Accelerating momentum through Sage Business Cloud
Q&A

#SageResults
### Glossary – Financial drivers

**Organic revenue**

Organic revenue neutralises the impact of foreign exchange in prior period figures and excludes the contribution of current and prior period acquisitions, disposals and assets held for sale of standalone businesses.

N.B – From FY18 the definition of organic will be updated to include the contributions of acquired businesses from the beginning of the financial year following their date of acquisition. Adjustments are made to the comparative period to present acquired businesses as if these had been part of the Group throughout the period.

**Organic operating profit margin**

Organic operating profit excludes:
- Recurring items including amortisation of acquired intangible assets, acquisition-related items and fair value adjustments;
- Non-recurring items that management judge to be one-off or non-operational; and
- The contribution of current and prior period acquisitions, disposals and assets held for sale of standalone businesses.

The impact of foreign exchange is neutralised in prior period figures.

**Underlying basic EPS**

Underlying basic EPS is defined as underlying profit after tax divided by the weighted average number of ordinary shares in issue during the period, excluding those held as treasury shares.

Underlying profit after tax is defined as profit attributable to owners of the parent excluding:
- Recurring items including amortisation of acquired intangible assets, acquisition-related items, fair value adjustments and imputed interest; and
- Non-recurring items that management judge to be one-off or non-operational.

All of these adjustments are net of tax. The impact of foreign exchange is neutralised in prior period figures.

**Underlying adjusted EPS**

The underlying adjusted EPS excludes the impact of acquisitions and disposals.

**Underlying cash conversion**

Underlying cash conversion is underlying cash flow from operating activities divided by underlying operating profit. Underlying cash flow from operating activities is statutory cash flow from operating activities less net capital expenditure and adjusted for movements on foreign exchange rates, working capital and non-recurring cash items.

**Net debt leverage**

The net value of cash less borrowings expressed as a multiple of rolling 12-month EBITDA. EBITDA is defined as earnings before interest, tax, depreciation, amortisation of acquired intangible assets, acquisition-related items, fair value adjustments and non-recurring items that management judge to be one-off or non-operational.
Glossary – Financial drivers

Interest cover

Statutory operating profit for the last twelve months excluding non-recurring items that management judge to be one-off or non-operational, expressed as a multiple of finance costs excluding imputed interest for the same period.

Dividend cover

Underlying earnings per share (as reported) divided by the full year dividend per share.

Return on capital employed (ROCE)

ROCE is calculated as (Underlying operating profit - (minus) Amortisation of acquired intangibles) / (divided by) Capital employed. Capital employed is defined as net assets excluding net debt, provisions in relation to costs excluded from underlying activities and tax assets / liabilities.
### Glossary – Revenue type

**Measure /Description**

<table>
<thead>
<tr>
<th>Measure /Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurring revenue</strong></td>
<td>Recurring revenue is revenue earned from customers for the provision of a good or service, where risks and rewards are transferred to the customer over the term of a contract, with the customer being unable to continue to benefit from the full functionality of the good or service without ongoing payments. Recurring revenue includes both software subscription revenue and maintenance and service revenue.</td>
</tr>
<tr>
<td><strong>Software subscription revenue</strong></td>
<td>Subscription revenue is revenue earned from customers for the provision of a good or service, where the risk and rewards are transferred to the customer over the term of a contract. In the event that the customer stops paying, they lose the legal right to use the software and the Company has the ability to restrict the use of the product or service. (Also known as ‘Pay to play’).</td>
</tr>
<tr>
<td><strong>Software and software related services (“SSRS”)</strong></td>
<td>SSRS revenue is for goods or services where the entire benefit is passed to the customer at the point of delivery. It comprises revenue for software or upgrades sold on a perpetual license basis and software related services, including hardware sales, professional services and training.</td>
</tr>
<tr>
<td><strong>Processing revenue</strong></td>
<td>Processing revenue is revenue earned from customers for the processing of payments or where Sage colleagues process our customers’ payroll.</td>
</tr>
<tr>
<td><strong>Annual contract value</strong></td>
<td>Annual Contact Value (ACV) is the value of bookings that will be generated over the ensuing year under a given contract or contracts.</td>
</tr>
<tr>
<td><strong>Annual recurring revenue</strong></td>
<td>Annual recurring revenue (ARR) is the value of all components of recurring revenue, annualised for the ensuing year.</td>
</tr>
</tbody>
</table>
## Glossary – Non-GAAP measures

<table>
<thead>
<tr>
<th>Measure /Description</th>
<th>Why we use it</th>
</tr>
</thead>
</table>
| **Underlying**                                                                        | I. Prior period underlying measures are retranslated at the current year exchange rates to neutralise the effect of currency fluctuations.  
  Underlying operating profit excludes:  
  - Recurring items:  
    - Amortisation of acquired intangible assets and purchase price adjustments made to reduce deferred income arising on acquisitions;  
    - M&A activity-related items;  
    - Fair value adjustments on non-debt-related financial instruments and foreign currency movements on intercompany debt balances; and  
    - Non-recurring items that management judge are one-off or non-operational.  
  Underlying profit before tax excludes:  
  - All the items above; and  
  - Imputed interest; and  
  - Fair value adjustments on debt-related financial instruments.  
  Underlying profit after tax and earnings per share excludes:  
  - All the items above net of tax. | Underlying measures allow management and investors to compare performance without the potentially distorting effects of foreign exchange movements, one-off items or non-operational items.  
  By including part-period contributions from acquisitions, discontinued operations, disposals and assets held for sale of standalone businesses in the current and/or prior periods, the impact of M&A decisions on earnings per share growth can be evaluated. |
| **Organic**                                                                           | In addition to the adjustments made for underlying measures, organic measures exclude the contribution from acquisitions, discontinued operations, disposals and assets held for sale of standalone businesses in the current and/or prior period. Acquisitions and disposals which occurred close to the start of the opening comparative period where the contribution impact would be immaterial are not adjusted. | Organic measures allow management and investors to understand the like-for-like performance of the business. |
| **Underlying cash conversion**                                                       | Underlying cash conversion is underlying cash flow from operating activities divided by underlying operating profit. Underlying cash flow from operating activities is statutory cash flow from operating activities less net capital expenditure and adjusted for movements on foreign exchange rates and non-recurring cash items. | Underlying cash conversion informs management and investors about the cash operating cycle of the business and how efficiently operating profit is converted into cash. |
| **Underlying (as reported)**                                                        | Where prior period underlying measures are included without retranslation at current period exchange rates, they are labelled as underlying (as reported). | This measure is used to report comparative figures for external reporting purposes where it would not be appropriate to retranslate. For instance, on the face of primary financial statements. |