



Platform for acceleration – powered by Sage Business Cloud

Key messages

- Transformation outlined at 2015 CMD complete.
- For the past 3 years, Sage has met or exceeded guidance of at least 6% organic revenue growth and 27% operating margins, whilst fundamentally transforming the business.
- There is now the leadership, organisational alignment, brand and comprehensive suite of cloud solutions, to accelerate momentum.
- Efficiencies and productivity throughout the organisation will continue as ‘business as usual’.
- Sage Business Cloud gives customers the most comprehensive business management cloud platform in the market and positions Sage to accelerate growth.

Key financial targets

Strong FY17 Performance

Organic Revenue
6.6%

Organic operating margin
28.0%

Achieved FY17 Guidance

Organic revenue growth inc. NA payments
6.0%

Underlying operating margin
27.0%

Raised FY18 Guidance

Organic revenue growth
around 8%*

Organic operating margin
around 27.5%

Key statistics

Revenue categories growth	FY17	FY16
Recurring	9.0%	10.4%
Software subscription	30.3%	32.1%
Processing	1.9%	21.5%
SSRS	(1.4%)	(8.4%)

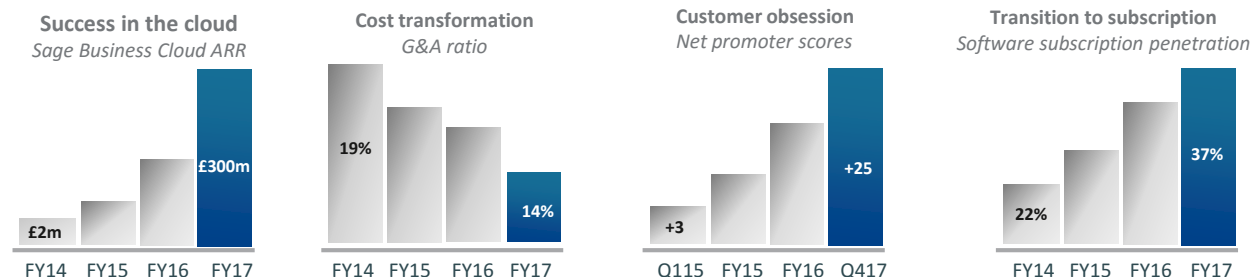
Other key stats	FY17	FY16
Statutory revenue	19.2%	9.3%
Software subscription penetration	37%	30%
Top 8 regions growing over 10%	4	2
Dividend per share	15.42p	14.15p
Increase in DPS	9.0%	8.0%

Profitability	FY17	FY16
EBITDA Margin	30.3%	29.7%
G&A margin	13.8%	17.4%
Annualised savings	£59m	£51m
Exceptional cost	£73m	£110m

Cash metrics	FY17	FY16
Underlying cash conversion	95%	100%
Free cash flow as % revenue	15%	15%
Net cash spent on M&A	£544m	£16m
Net debt : EBITDA leverage	1.6	0.9
Return on capital employed	27%	31%

Transformation announced in 2015 is complete

Significant progress made



Momentum in acquired businesses

sage Intacct

- Over \$100m ARR
- Growing at over 30%

sage People

- Q4 17 was best ever quarter
- Highest deal signed for >£300k

sage Compass

- 65% increase in user numbers since acquisition



Platform for acceleration – powered by Sage Business Cloud

FY18 Outlook

During FY17, Sage acquired Fairsail (now Sage People) and Intacct (now Sage Intacct), which will now form part of organic revenue* and, combined, are expected to add around 1% of revenue in FY18. On this basis management expects organic revenue growth for FY18 to be around 8%.

We expect to continue to achieve cost efficiencies that will be more than sufficient to offset any losses in the acquired businesses as they scale. We are therefore confident of delivering an organic operating margin of around 27.5% in FY18.

Summary tables

Financial Summary	FY17	FY16	Change
Organic revenue	£1,696m	£1,591m	6.6%
<i>Recurring revenue</i>	<i>£1,314m</i>	<i>£1,207m</i>	<i>9.0%</i>
<i>Processing revenue</i>	<i>£83m</i>	<i>£81m</i>	<i>1.9%</i>
<i>SSRS revenue</i>	<i>£299m</i>	<i>£303m</i>	<i>(1.4%)</i>
Organic revenue including North American Payments	£1,815m	£1,713m	6.0%
Organic operating profit	£475m	£431m	10.3%
Organic operating profit margin	28.0%	27.1%	0.9%
Underlying operating margin	27.0%	27.0%	0.0%
Underlying basic EPS	31.90p	30.82p	3.5%
Underlying adjusted EPS	33.10p	30.82p	7.4%
Underlying cash conversion	95%	100%	(500bps)
Ordinary dividend per share	15.42	14.15p	9.0%

Statutory revenue	FY17	FY16	Change
Revenue	£1,715m	£1,439m	19.2%
Operating profit	£348m	£267m	30.3%
Profit before tax	£342m	£242m	41.3%
Basic EPS	27.80p	19.28p	44.2%

*FY18 Organic revenue definition

The organic revenue definition for FY18 will include 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. Acquisitions and disposals which occurred close to the start of the opening comparative period where the contribution impact would be immaterial are not adjusted.

Join us for the presentation – Wednesday 22 November, 8:30am

In person

- FTI Consulting
- 200 Aldersgate, EC1A 4HD

Webcast

- Register at sage.com/investors
- Join live or watch the replay

Dial in

- +44 (0) 20 3427 1903
- Pin code: 2018766#

Call replay

- +44 (0) 20 7984 7568
- Pin code: 2018766#