



Sharpening the focus to accelerate the transition to SaaS

Key messages

- FY18 organic revenue growth of 6.8% (6.6% including asset held for sale) and organic operating margin of 27.8% achieved (27.2% including asset held for sale¹);
- Improvement in H2 18 performance with renewed focus on high-quality subscription and recurring revenue, driving accelerated momentum into FY19, with issues identified in H1 18 addressed;
- Building on this momentum, Sage Business Cloud ARR is now £434m, growing at 51%;
- In FY19 the business will continue to sharpen its focus on accelerating the transition to Software-as-a-Service (SaaS) with key operational priorities identified to do so.

Key statistics

Revenue categories	FY18	% revenue	Growth
Organic revenue growth	£1,819m	100%	6.8%
Recurring	£1,441m	79%	6.7%
Software subscription	£839m	46%	25.2%
Processing	£55m	3%	6.2%
SSRS	£323m	18%	7.6%

Sage Business Cloud	FY18 ARR	Growth
Cloud connected	£280m	66%
Cloud native	£153m	30%
Sage Business Cloud	£434m	51%

Profitability	FY18	FY17
Organic operating profit	£505m	£475 ² m
EBITDA Margin	29.2%	29.4%
G&A margin	12.9%	13.8 ² %
Adjusted EPS	32.51	28.46
Non-recurring charge	£10m	£70m

Capital and other metrics	FY18	FY17
Underlying cash conversion	96%	95%
Free cash flow as % revenue	19%	15%
Net debt : EBITDA leverage	1.2	1.6
Return on capital employed	23%	27%
Dividend per share	16.50p	15.42p
Increase in DPS	7.0%	9.0%

Steve Hare, CEO said:

“Sage has shown stronger performance in the second half of FY18. The renewed focus on high-quality subscription and recurring revenue has generated momentum as we exited the year. As CEO I will put customers, colleagues and innovation at the heart of everything we do to accelerate the transition to becoming a great SaaS business. That means investing further resource in Sage Business Cloud, a continued commitment to customer success and a culture which values the individuals and promotes collaboration. Increased investment in these areas will lead to an acceleration in high-quality sustainable recurring revenue growth.”

Join us for the presentation – Wednesday 21 November, 8:30am

In person

- London Stock Exchange
- 10 Paternoster Row, London EC4M 7LS

Webcast

- Register at sage.com/investors
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Dial in

- +44 (0) 330 336 9105
- Pin code: 5446730#

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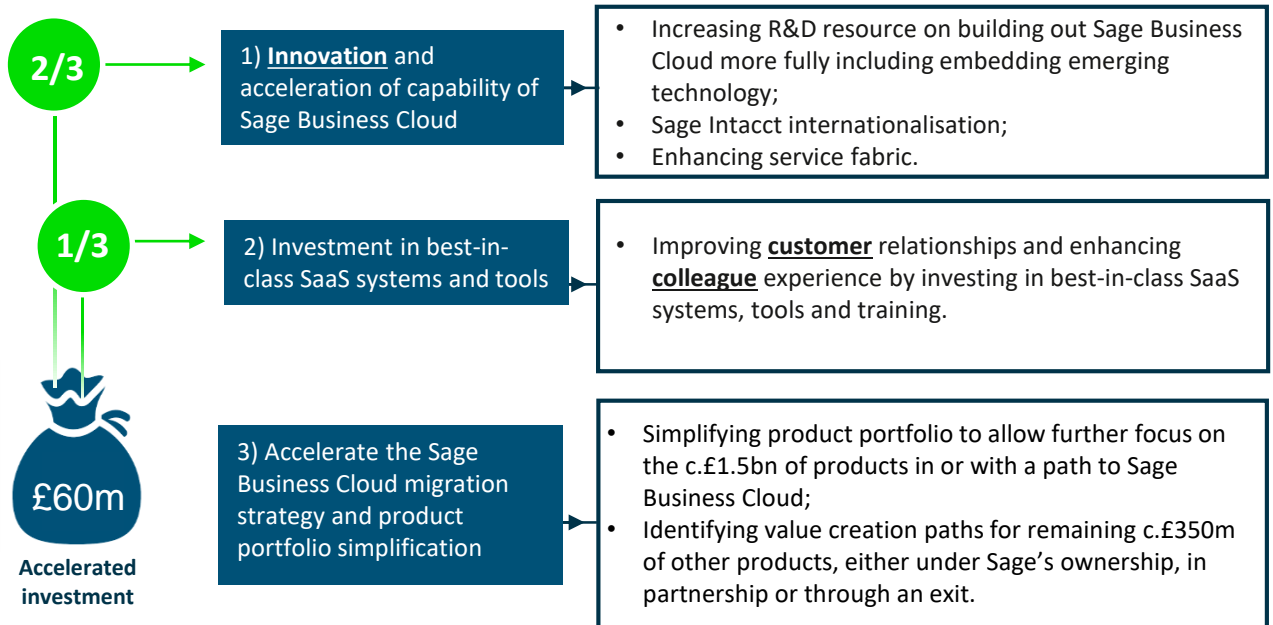
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- Pin code: 5446730#

¹Sage Payroll Solutions, the US-based payroll outsourcing services business is now classified as held for sale.

²As reported.



Our key priorities for 2019 to become a great SaaS business



FY19 Outlook*

REVENUE

- FY19 recurring revenue growth of between 8% to 9% with SSRS and processing revenue expected to be flat or decline mid-single digits, driven by focus on driving subscription and recurring revenue.
- As the business accelerates the pace of transition towards subscription, the organic revenue growth rate may decrease in the short-term.

MARGINS

- We expect FY19 organic operating margins to be broadly stable before the impact of around £60m of specifically targeted investment to accelerate the transition to SaaS, especially in product and innovation which will also enhance efficiency and effectiveness over time.
- Including this impact, organic operating margin will be in the range of 23%-25%, maintaining strong free cash flow as a proportion of revenue.
- Over time, this model will drive a sustainable acceleration in recurring revenue growth whilst enabling strong returns on investment.

IFRS 15

The impact of the transition to IFRS 15 is not anticipated to be significant with an increase to FY19 opening reserves of £23m, resulting primarily in deferral of commission fees and unbundling of subscription revenue, offset by deferral of contract sign-up fees.

*Full year guidance for FY19 is based on the continuing operations of the business, on an IFRS15 like-for-like basis and at constant exchange rates.