

About Sage

Sage is a global market leader for technology that helps small and medium businesses perform at their best.

Sage is trusted by millions of customers worldwide to deliver the best cloud technology and support to manage finances, operations and people.

Meet the team



Steve Hare
CEO



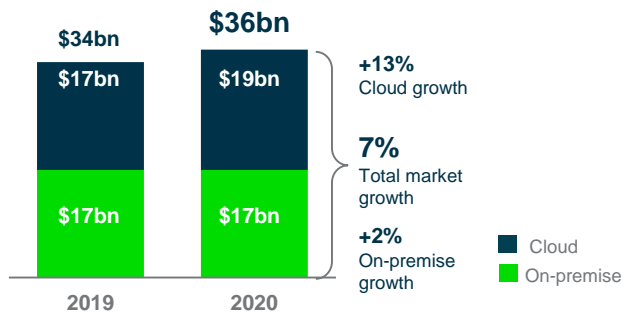
Jonathan Howell
CFO

Investment case

- ✓ **High quality recurring revenue growth**
FY19: 13% growth in ARR to £1.7bn, over £1bn software subscription revenue
- ✓ **Efficient capital allocation**
Investing efficiently for growth. FY19: 23.7% organic operating margin
- ✓ **Strong free cash flow**
FY19 underlying cash conversion of 129%
- ✓ **Sustainable dividend**
FY19: 2.5% increase in dividend, commitment to maintaining in real terms

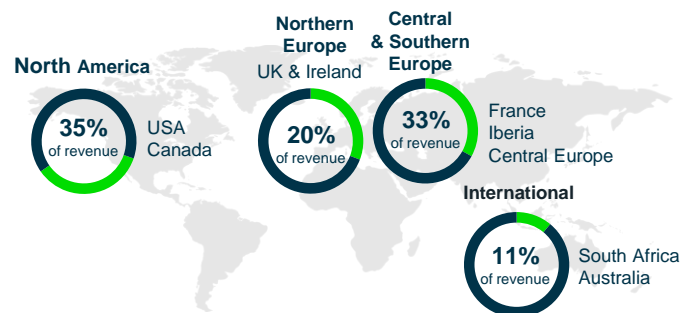
Total addressable market

- Sage's total addressable market is \$36bn with 72m businesses
- The market is growing at 7% with cloud spend increasing by 13%



Our global reach

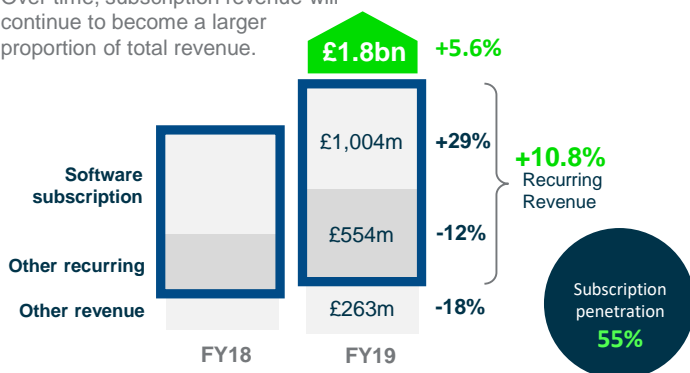
Sage serves millions of customers around the world:



Revenue categories

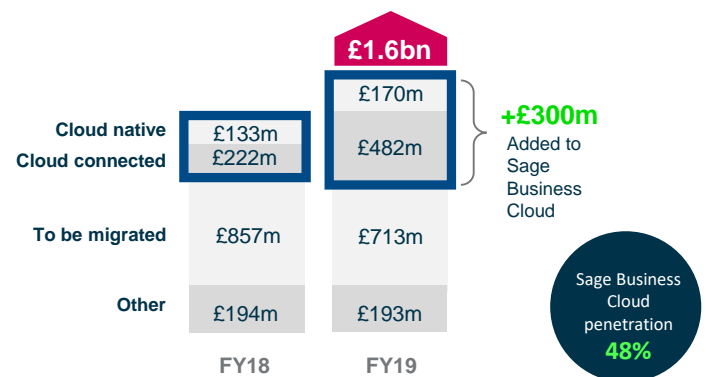
In FY19 Sage delivered **£1.8bn** of revenue as follows:

- Recurring revenue, comprising software subscription revenue and other recurring i.e. maintenance & support from on-plan customers.
- Other revenue largely comprising software and software related services (SSRS) (licences and services).
- Over time, subscription revenue will continue to become a larger proportion of total revenue.



Portfolio view of recurring revenue

- Sage continues to migrate existing customers and attract new customers to Sage Business Cloud.
- This has resulted in £300m added to Sage Business Cloud in FY19
- Management are considering value creation paths, including sale, for solutions within the 'Other' category



Financial performance

Financial performance	FY19	FY18	FY17 ¹
Recurring revenue growth	+11%	+7%	+9%
Total organic revenue	£1,822m	£1,725m	£1,696m
Organic operating profit	£432m	£496m	£475m
Organic operating margin %	23.7%	28.8%	28.0%

FY20 guidance

Guidance	
Recurring revenue growth	8-9%
SSRS and processing revenue	High single digit decline
Organic operating margin	Around 23%

¹As reported

Sage's purpose

To transform the way people think and work, so their organisations can thrive

Sage's vision

To become a great SaaS company for customers and colleagues alike

Strategic lenses



Customer success

Taking a customer-centric approach to everything we do



Colleague success

Culture that values individuals and encourages collaboration

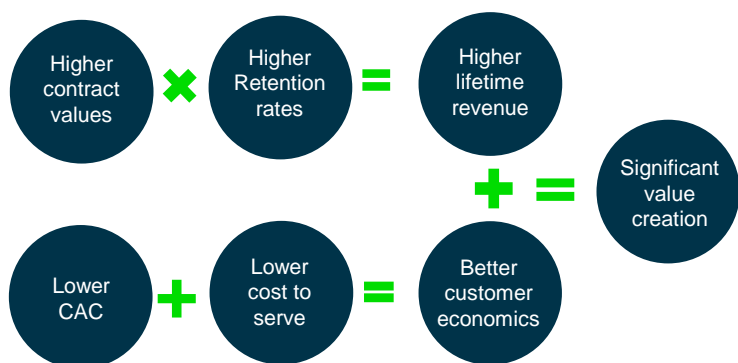


Innovation

Solutions that delight customers and transform how they think and work

Compelling economics of SaaS

By continuing to transition to SaaS, Sage can embrace a closer relationship with customers, increasing lifetime contract values at more efficient levels.



How Sage builds ARR

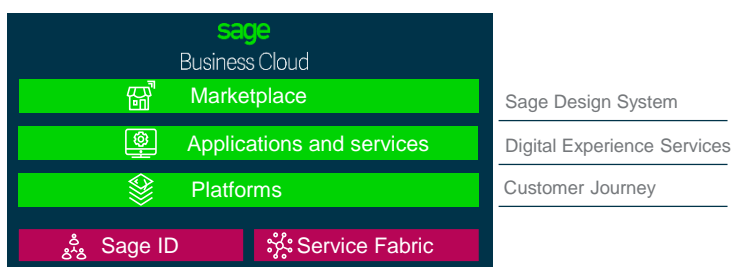
- Sage drove a **13%** increase in ARR to **£1.7bn** in FY19
- Sage seeks to minimise churn and drive migration, cross-sell, up-sell of existing customers, then attracts new customers and reactivates off-plan customers.

Opening ARR	100%	£1.5bn
Less churn		
Net ARR		
Plus migration		
Plus up-sell & cross-sell		
Renewal by value	101%	£1.5bn
Plus reactivation		
Plus new customer acquisition		
Closing ARR	113%	£1.7bn

FY19 focus and investment – innovation

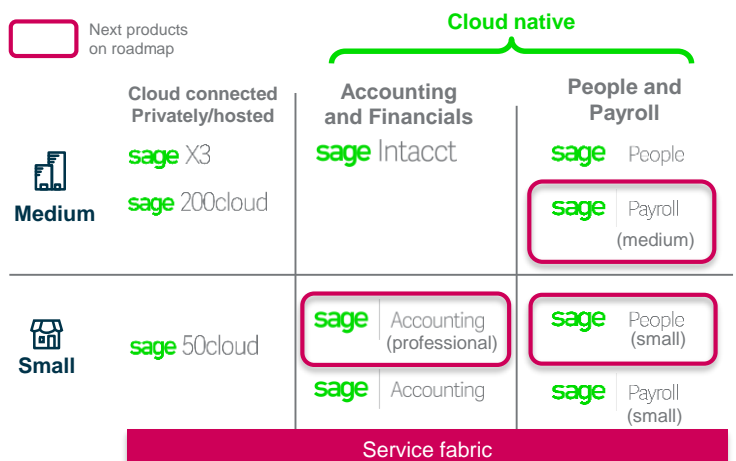
Sage Business Cloud Vision

Sage Business Cloud will become a digital environment of cloud platforms, applications and services, and a thriving partner market place, all supported by Service Fabric. This uses Sage's identity management, design system, and digital services to create a unified customer journey and a consistent digital experience.

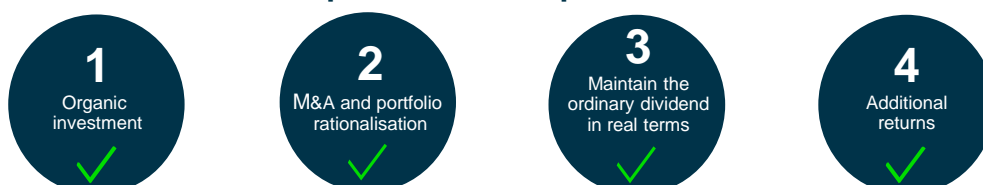


Sage Business Cloud portfolio

- Sage has invested significantly in innovation in FY19, internationalising Intacct and investing in Sage Accounting for small professional users.
- Sage will continue to build its portfolio of solutions and services for both cloud native and cloud connected customers.



Capital allocation priorities



Broad range of 1.0x – 2.0x net debt: EBITDA over the medium term