

# FY21 Investor factsheet

## Overview and financial performance



### About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of Small and Mid-Sized Businesses served by us, our partners and accountants. Customers trust our finance, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, our digital network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology and experience to tackle digital inequality, economic inequality and the climate crisis.

### Meet the team



**Steve Hare**  
CEO



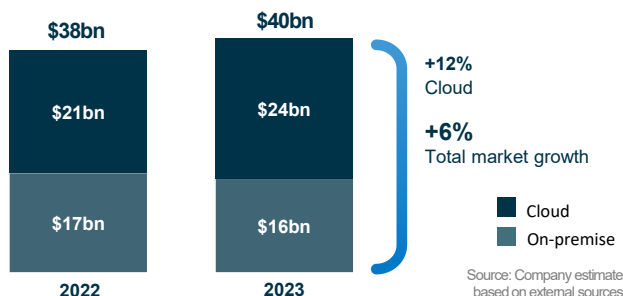
**Jonathan Howell**  
CFO

### Investment case

- ✓ **High quality recurring revenue**  
8% growth in ARR to £1.7bn, with 92% recurring revenue
- ✓ **Strategic investment to drive growth**  
19.3% organic operating margin
- ✓ **Strong free cash flow**  
Underlying cash conversion of 126%
- ✓ **Robust balance sheet**  
£1.2bn of cash and available liquidity

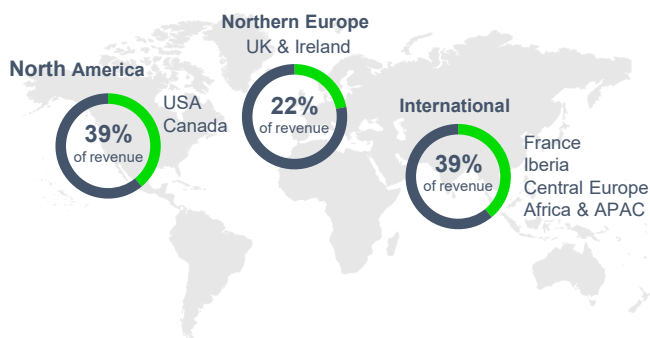
### Total addressable market

- Sage's total addressable market is worth \$38bn including 67m businesses
- Market is growing by 6% per year, with cloud spend increasing by 12%



### Our global reach

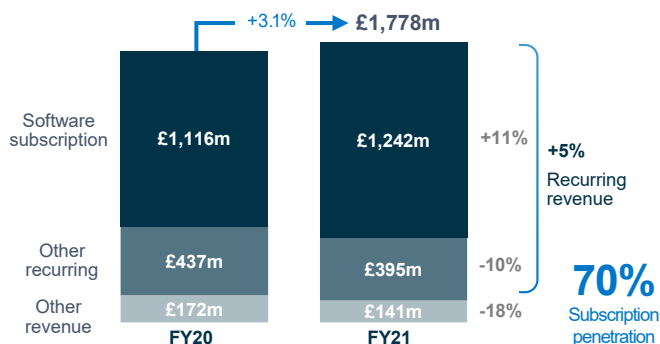
Sage serves millions of customers around the world:



### Revenue categories

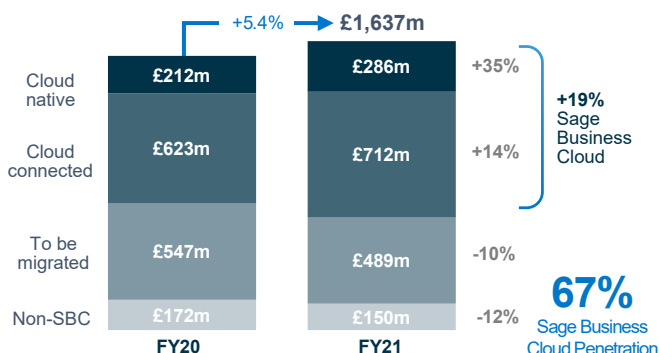
In FY21 Sage achieved organic total revenue of £1,778m:

- Recurring revenue of £1,637m, including software subscription and other recurring revenue (i.e. maintenance & support from on-plan customers)
- Other revenue of £141m, mainly professional services and licences
- Over time, subscription will continue to grow within the revenue mix, while other revenue will continue to decline, in line with our strategy



### Portfolio view of recurring revenue

- Sage Business Cloud is a portfolio of unified cloud native and cloud connected solutions for small and mid-sized businesses
- Sage continues to migrate existing customers and attract new customers to Sage Business Cloud, which added £162m of revenue in FY21 (+19%)
- Management are focused on value creation paths for 'Non-Sage Business Cloud' products and solutions



### Financial performance

	FY21	FY20	Growth
Organic recurring revenue	£1,637m	£1,553m	+5%
Organic total revenue	£1,778m	£1,725m	+3%
Organic operating profit	£343m	£380m	-10%
Organic operating margin %	19.3%	22.0%	-2.7 ppts

### FY22 Guidance

Recurring revenue growth	In the region of 8% to 9%
Other revenue	To continue to decline, in line with strategy
Organic operating margin	Expected to trend upwards in FY22 and beyond, as we focus on scaling the Group

### Sage's purpose

To knock down barriers so everyone can thrive

### Sage's ambition

To be the trusted network for small and mid-sized businesses

### Strategic priorities

 <b>Scale Sage Intacct</b> Accelerate the expansion of Sage Intacct in existing and new markets	 <b>Expand Medium beyond financials</b> Broaden the value proposition for mid-sized businesses	 <b>Build the small business engine</b> Create a scalable digital 'engine' to acquire and serve small business customers	 <b>Scale the network</b> Increase participation in Sage's digital network and accelerate the network effect	 <b>Learn and disrupt</b> Build innovative solutions underpinned by a culture of continuous learning and disruption
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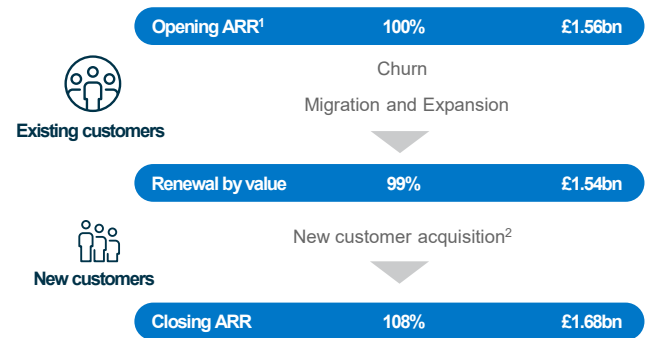
## Sage Business Cloud portfolio

Sage's cloud native and cloud connected solutions enable customers to be more productive, resilient and flexible. Sage is innovating to enrich these solutions, connecting organisations with their customers, suppliers, accountants, regulatory bodies, employees and banks – providing cloud-based services over a digital network.

	Cloud Connected	Cloud Native	
	Accounting & Financials	People & Payroll	
Medium	sage 200cloud	sage Intacct	sage People
Small	sage 50cloud sage 50 Payroll	sage Accounting	sage HR sage Payroll
Sage Service Fabric			

## How Sage builds ARR

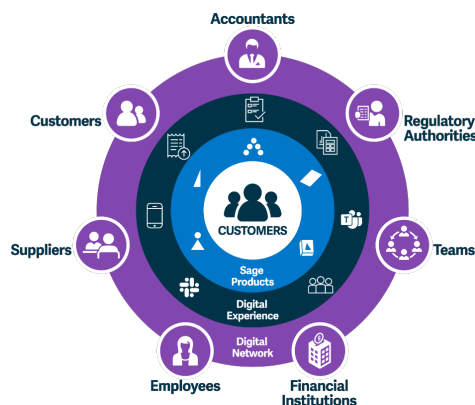
- Sage increased ARR by 8% to £1.7bn in FY21
- Sage seeks to attract new customers to Sage Business Cloud, deliver increased value to existing customers and minimise churn



1. Annualised Recurring Revenue as at 30 September 2020  
2. New customer acquisition includes reactivations

## Sage's digital network

Our ambition is to be the trusted network for small and mid-sized businesses, delivering an integrated experience of digital and human connections. Sage's network facilitates the smooth flow of work and money between organisations and everyone they need to connect with.

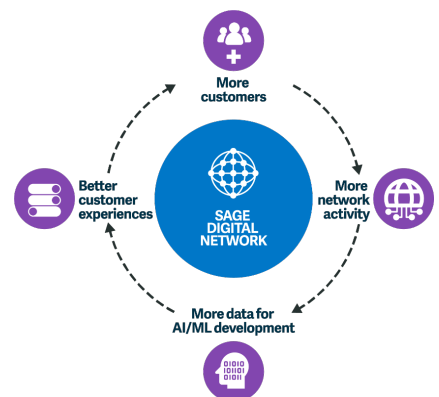


### Customer benefits of Sage's digital network

- Efficiency** – digital services that automate workflows and interactions between businesses
- Business outcomes** – helping customers overcome challenges and gain better insights
- Trust** – through verified digital identities and a shared ledger

## Strategic flywheel: driving innovation & growth

Attracting more customers to the digital network means more network activity and therefore more data. Through artificial intelligence and machine learning, this powers the insights we need to build more innovative and compelling customer experiences, which in turn attracts more customers.



## Capital allocation priorities

<b>1</b>   Organic investment	<b>2</b>   M&A	<b>3</b>   Maintain the dividend in real terms	<b>4</b>   Consider returning surplus capital
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We target a broad range of 1.0x – 2.0x net debt to EBITDA over the medium term, with flexibility to move outside this range as business needs require