The Sage Group plc
Results for the year ended 30 September 2024 (audited)
20 November 2024

Strong and efficient growth driven by focused strategic execution

Steve Hare, Chief Executive Officer, commented:

"Sage has delivered another successful year, achieving strong, broad-based revenue growth together with significantly higher profits and cash flows. We also invested further in our products and continued to execute well against our strategic priorities.

"Our high pace of innovation continues, as we enhance existing products and expand key cloud solutions throughout our markets. The Sage Network platform is enabling us to accelerate the delivery of new services, and we've made good progress with Sage Copilot, our generative AI-based digital assistant, now available with selected products across our portfolio.

"Small and mid-sized businesses remain resilient, despite the ongoing macroeconomic uncertainty, and they continue to choose Sage to help them become more productive and efficient. Building on our progress to date, we look forward to delivering further sustainable growth in the year ahead."

Underlying Financial APMs[1]	**FY24**	**FY23**[2]	**Change**	**Organic Change**
Annualised Recurring Revenue (ARR)	£2,339m	£2,112m	+11%	+11%
Underlying Total Revenue	£2,332m	£2,133m	+9%	+9%
Underlying Operating Profit	£529m	£438m	+21%	+21%
% Operating Profit Margin	*22.7%*	*20.5%*	*+2.2 ppts*	*+2.2 ppts*
EBITDA	£622m	£534m	+16%	
% EBITDA Margin	*26.6%*	*25.0%*	*+1.6 ppts*	
Underlying Basic EPS (p)	37.9p	30.9p	+23%	
Underlying Cash Conversion	123%	116%	+7 ppts	
Statutory Measures	**FY24**	**FY23**	**Change**	
Revenue	£2,332m	£2,184m	+7%	
Operating Profit	£452m	£315m	+43%	
% Operating Profit Margin	*19.4%*	*14.4%*	*+5.0 ppts*	
Basic EPS (p)	32.1p	20.7p	+55%	
Dividend Per Share (p)	20.45p	19.30p	+6%	

Please note that tables may not cast and change percentages may not calculate precisely due to rounding.

Financial highlights

- Underlying total revenue increased by 9% to £2,332m, reflecting the strength of our subscription-based recurring revenue model.
- Underlying operating profit grew by 21% to £529m, driving a particularly strong margin increase of 220 basis points to 22.7%, with disciplined cost management supporting ongoing investment.
- EBITDA grew by 16% to £622m, with margin increasing by 160 basis points to 26.6%.
- Statutory operating profit increased by 43% to £452m reflecting strong growth in underlying operating profit, lower M&A-related expenses and the non-recurrence of prior year restructuring charges.
- Underlying basic EPS increased by 23% to 37.9p.

[1] See Appendix 1 for full definitions and guidance on the usage of the Alternative Performance Measures.

[2] To aid comparability, underlying and organic measures for the prior period have been retranslated at current period exchange rates and exclude recurring and non-recurring items, while organic measures also adjust for the impact of acquisitions and disposals. A reconciliation of underlying and organic measures to statutory measures is set out on pages 6 and 7. Underlying and organic measures are defined in Appendix 1.

All references to revenue, profit and margin are on an underlying basis unless otherwise stated.

- Free cash flow increased by 30% to £524m, supported by excellent underlying cash conversion of 123%, reflecting growth in subscription revenue and continued good working capital management.
- Robust balance sheet, with £1.1bn of cash and available liquidity, and net debt to EBITDA of 1.2x.

Shareholder returns

- Proposed final dividend of 13.50p, increasing the full year dividend by 6% to 20.45p, in line with our progressive policy.
- Share buyback programme of up to £400m announced separately today, reflecting Sage's strong cash generation, robust financial position, and the Board's confidence in Sage's future prospects.

Strategic and operational highlights

- Underlying annualised recurring revenue (ARR) up 11% to £2,339m, with growth across all regions balanced between new and existing customers.
- Renewal rate by value of 101% (FY23: 102%), reflecting strong retention rates and a good level of sales to existing customers.
- Sage Business Cloud revenue increased by 16% to £1,871m (FY23: £1,619m), including cloud native revenue growth of 23% to £732m (FY23: £597m).
- Subscription penetration increased to 82% (FY23: 79%) driven by growth in subscription revenue of 13% to £1,910m (FY23: £1,694m).
- Strong strategic progress as we further expand our global cloud solutions, deepen our vertical-specific capabilities and introduce new software suites across the Group.
- Continued to scale the Sage Network and roll out Sage Copilot, our generative AI-powered assistant, now available to over 8,000 customers of Sage Accounting, Sage for Accountants and Sage Active.
- Simplified our strategic framework to reflect evolving priorities.

Outlook

Sage enters FY25 with good momentum driven by consistent strategic execution. Looking ahead, we expect organic total revenue growth in FY25 to be 9% or above. Operating margins are expected to trend upwards in FY25 and beyond, as we focus on efficiently scaling the Group.

About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and mid-sized businesses (SMBs) 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.

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A presentation for investors and analysts will be held at 8.30am UK time. The webcast can be accessed via sage.com/investors or directly via the following link: https://edge.media-server.com/mmc/p/czay8sbw. To join the conference call, please register via https://register.vevent.com/register/BI0c875da171514d128ecd0423d836f3f9.

Business Review

Sage continued to perform well in FY24, achieving strong broad-based revenue growth together with significantly higher profits and cash flows.

Overview of results

The Group increased underlying total revenue by 9% to £2,332m (FY23: £2,133m), with all regions contributing to growth. In North America, revenue grew by 12%, driven by a good performance from Sage Intacct together with continued growth in Sage 50 cloud and Sage 200 cloud. In the UKIA[3] region, revenue increased by 8%, driven by Sage Intacct together with cloud solutions for small businesses. In Europe, revenue increased by 6%, with growth across our accounting, payroll and HR solutions.

Throughout the Group, our principal focus is to grow Sage Business Cloud, comprising our cloud native[4] and cloud connected[5] solutions, by attracting new customers and delivering further value to existing customers. Sage Business Cloud solutions enable customers to benefit from a growing range of cloud services as part of the Sage Network, leading to deeper customer relationships and higher lifetime values.

As a result, Sage Business Cloud total revenue increased by 16% to £1,871m (FY23: £1,619m), driven by growth in cloud native revenue of 23% to £732m (FY23: £597m) primarily through new customer acquisition, and by growth in cloud connected revenue from both existing and new customers.

Underlying recurring revenue increased by 10% to £2,257m (FY23: £2,048m), with software subscription revenue up by 13% to £1,910m (FY23: £1,694m) leading to subscription penetration of 82% (FY23: 79%). As a result, 97% of the Group's revenue is recurring.

On an organic basis, total revenue grew by 9% to £2,332m (FY23: £2,134m), whilst recurring revenue grew by 10% to £2,257m (FY23: £2,049m).

ARR growth

Sage's underlying ARR increased by 11% to £2,339 (FY23: £2,112m), reflecting strong growth balanced between new and existing customers. Organic ARR also increased by 11% to £2,334m (FY23: £2,112m).

Renewal rate by value of 101% (FY23: 102%) reflects strong retention rates and a good level of sales to existing customers, including customer add-ons and targeted price rises. In total, Sage added £190m of ARR through new customer acquisition on an organic basis during FY24, in line with the prior year.

Performance by region

North America	FY24	FY23	Change	Organic change
US	£918m	£819m	12%	12%
Canada	£134m	£121m	11%	11%
Underlying total revenue	**£1,052m**	**£940m**	**12%**	**12%**

In North America, underlying total revenue increased by 12% to £1,052m, with growth across Sage's key accounting solutions, particularly among mid-sized businesses. Recurring revenue grew by 13% to £1,028m (FY23: £913m), while subscription penetration increased to 81%, up from 78% in the prior year.

In the US, total revenue increased by 12% to £918m, with growth moderating compared to the prior year. Sage Intacct, which represents over 40% of US revenue, grew by 24% to £385m (FY23: £311m), driven by strength across multiple verticals including not-for-profit and construction & real estate. Revenue was also driven by Sage 200 cloud, Sage 50 cloud and Sage X3, reflecting good levels of upsell to existing customers and higher pricing, together with growth from new customers.

In Canada, total revenue grew by 11% to £134m, driven mainly by Sage 50 cloud which saw strong renewals and new customer acquisition, together with growth in Sage 200 cloud. In addition, Sage Intacct grew strongly, while Sage HR achieved good traction following its Canadian launch earlier in the year.

[3] United Kingdom, Ireland, Africa and APAC.

[4] Cloud native solutions run in a cloud environment enabling access to up-to-date functionality at any time, from any location, via the internet.

[5] Cloud connected solutions are deployed on premise with significant functionality delivered through the cloud.

UKIA	FY24	FY23	Change	Organic change
UK & Ireland	£505m	£471m	7%	7%
Africa & APAC	£165m	£149m	11%	11%
Underlying total revenue	**£670m**	**£620m**	**8%**	**8%**

In the UKIA region, underlying total revenue increased by 8% to £670m, with continuing strength across the portfolio including accounting, HR and payroll solutions. Recurring revenue also grew by 8% to £655m, while subscription penetration was 89%, in line with the prior year.

In the UK & Ireland, total revenue grew by 7% to £505m. Sage Intacct made a significant contribution, benefitting from strong new customer wins, with momentum continuing to build throughout the year.

Alongside Sage Intacct, Sage's cloud native solutions for small businesses including Sage Accounting, Sage Payroll and Sage HR delivered good levels of growth, mainly through new customer acquisition. Revenue was also driven by growth in accountancy practice management tools, supported by the continued adoption of Sage for Accountants. In addition, Sage 50 cloud and Sage 200 cloud continued to perform well, with growth mainly from existing customers through good levels of upsell and higher pricing.

In Africa and APAC, total revenue grew by 11% to £165m, with strong growth in Sage Accounting, Sage Payroll and Sage HR driven by good levels of new customer acquisition, while Sage Intacct also performed well, off a small base. In addition, Sage X3 and local products within the Sage 200 cloud and Sage 50 cloud franchises continued to contribute to growth.

Europe	FY24	FY23	Change	Organic Change
France	£309m	£290m	6%	6%
Central Europe	£148m	£140m	6%	6%
Iberia	£153m	£143m	7%	7%
Underlying total revenue	**£610m**	**£573m**	**6%**	**6%**

Europe achieved underlying total revenue growth of 6% to £610m, reflecting a strong performance particularly in Sage 200 cloud, Sage 50 cloud, HR and payroll solutions. Recurring revenue grew by 8% to £574m (FY23: £531m), while subscription penetration increased to 76%, up from 70% in the prior year.

In France, total revenue grew by 6% to £309m driven by accounting solutions. Sage 200 cloud was a significant contributor to growth, as was Sage X3 which continued to benefit from strong demand. Solutions for accountants performed well, driven by accelerated upsell of add-ons. Payroll and HR solutions also contributed to growth within the region.

Central Europe achieved a total revenue increase of 6% to £148m. Cloud HR and payroll solutions, which represent almost half of the region's revenue, grew particularly strongly, driven by upsell to existing customers together with new customer wins. Growth was also driven by Sage 200 cloud, mainly through sales to existing customers.

In Iberia, total revenue grew by 7% to £153m, reflecting strength across Sage 200 cloud and Sage 50 cloud, driven by renewals, higher pricing and new customers. Iberia also achieved good levels of growth from accountants, complemented by the recent launch of Sage for Accountants in Spain.

Evolving our strategy

During the year, we simplified our strategic framework in order to accelerate progress, focusing our ambition both on developing the Sage Network platform and on leveraging generative AI, in order to significantly enhance the value we deliver to customers. Our refreshed framework is consistent with our existing strategic priorities and is centred on three key focus areas:

- **Connecting** our customers, products and data through the Sage Network, which is our platform cloud products and services that digitally transform customer workflows across their business ecosystems.

- **Growing** our business by winning new and delighting existing customers. This includes further scaling Sage Intacct in North America and UKIA, growing our small business solutions through success with accountants, establishing Sage Intacct and Sage Active in Europe, and driving 'in-life' growth through focused cross-sell and upsell.
- **Delivering** productivity and insights through AI, enabling our customers to save time and money and helping them make better decisions.

Our progress in each of these areas is outlined below.

Connect

The Sage Network connects customers to their trading partners, suppliers, tax authorities and banks, automating their workflows and streamlining operations. During the year we connected more customers to network services such as accounts payable automation, and we enabled new services such as e-invoicing. We also launched a customer account portal, enabling Sage customers in the UK to confidentially share invoice and payment information, and we expanded our partnership with Stripe to help improve cashflow management and payment processing for SMBs.

Grow

We continue to scale Sage Intacct by enhancing its core functionality, deepening its vertical-specific capabilities and expanding its geographical reach. Already well established in the US, Sage Intacct is growing rapidly in the UK with almost 1,200 customers so far, scaling well in Canada and South Africa, and gaining early momentum following recent launches in France and Germany. Reflecting this progress, in FY24 Sage Intacct's ARR grew by almost a quarter in the US and by 60% outside the US.

During the year we introduced a number of suites in order to simplify our customer proposition, including Sage for Small Business in the UK, and Sage for Construction and Sage for Nonprofits in the US. We also continued expand Sage for Accountants, now launched in Canada, Spain and the UK. These suites provide a streamlined, integrated offering tailored to our customers' needs. In Europe, we enhanced our proposition by introducing Sage Active Essentials, which integrates sales management capabilities into Sage Active and is now available in France, Spain and Germany.

Deliver

Sage Copilot is our new, generative AI-powered productivity assistant that streamlines routine tasks, provides strategic insights and enhances customer decision-making. Features such as automated invoice management, payment reminders, insight generation and recommendations are helping customers get paid faster and be more productive. During the year we focused on creating a strong value proposition and driving early adoption. As a result, Sage Copilot is available to over 8,000 customers of Sage Accounting, Sage for Accountants and Sage Active so far, with strong feedback and high engagement levels. Our focus for FY25 is to scale the solution to more products and customers throughout the Group.

Sustainability and Society

Sage supports sustainable and inclusive economic growth so everyone can thrive. To help protect the planet, we are focused on achieving our SBTi-validated carbon targets of halving emissions by 2030 and achieving net zero by 2040, against a 2019 baseline. Through our "tech for good" initiatives, we are empowering under-served entrepreneurs to scale and grow their businesses, and championing cyber security, data ethics and digital equality. In addition, Sage Foundation helped colleagues to dedicate almost 160,000 volunteering hours to their communities in FY24.

Sage also seeks to develop an inclusive, sustainable working environment. In FY24 we took steps to drive a high-performance culture, focusing colleagues throughout the Group on accountability, continuous learning and customer centricity. We also seek to embed Diversity, Equity and Inclusion (DEI) into everyday business processes and decisions, to drive diversity of thought. During the year, we increased the proportion of leadership teams that meet our FY26 gender diversity target[6] to 41%, up from 34% last year.

Sage has an 'AAA' ESG rating from MSCI and an 'A-' Climate Change score from CDP.

[6] Global gender diversity target of no more than 60% of any one gender, in any leadership team, anywhere in Sage, by FY26.

Financial Review

The financial review provides a summary of the Group's results on a statutory and underlying basis, alongside its organic performance. Underlying measures allow management and investors to understand the Group's financial performance adjusted for the impact of foreign exchange movements and recurring and non-recurring items, while organic measures also adjust for the impact of acquisitions and disposals[7].

Statutory and underlying financial results

Financial results	Statutory			Underlying		
	FY24	FY23	Change	FY24	FY23	Change
North America	£1,052m	£973m	+8%	£1,052m	£940m	+12%
UKIA	£670m	£627m	+7%	£670m	£620m	+8%
Europe	£610m	£584m	+5%	£610m	£573m	+6%
Total revenue	**£2,332m**	**£2,184m**	**+7%**	**£2,332m**	**£2,133m**	**+9%**
Operating profit	£452m	£315m	+43%	£529m	£438m	+21%
% Operating profit margin	*19.4%*	*14.4%*	*+5.0 ppts*	*22.7%*	*20.5%*	*+2.2 ppts*
Profit before tax	£426m	£282m	+51%	£502m	£407m	+23%
Profit after tax	£323m	£211m	+53%	£382m	£315m	+21%
Basic EPS	32.1p	20.7p	+55%	37.9p	30.9p	+23%

The Group achieved statutory and underlying total revenue of £2,332m in FY24. Statutory total revenue increased by 7%, reflecting underlying total revenue growth of 9%, offset by a 2-percentage point foreign exchange headwind, as sterling strengthened against the US dollar and other international currencies compared to the prior year.

Statutory operating profit increased by 43% to £452m, reflecting a 21% increase in underlying operating profit to £529m, together with a £64m decrease in recurring and non-recurring items[8], reflecting lower M&A-related charges in FY24 together with non-recurring restructuring charges in the prior year.

Statutory basic EPS increased by 55% to 32.1p, reflecting higher underlying operating profit, lower net finance costs and the post-tax impact of lower recurring and non-recurring items. Underlying basic EPS increased by 23% to 37.9p, primarily reflecting higher underlying operating profit.

Revenue – underlying and organic reconciliation to statutory

Total revenue bridge	FY24	FY23	Change
Statutory	**£2,332m**	**£2,184m**	**+7%**
Recurring items	-	-	
Impact of FX	-	(£51m)	
Underlying	**£2,332m**	**£2,133m**	**+9%**
Disposals	-	-	
Acquisitions	-	£1m	
Organic	**£2,332m**	**£2,134m**	**+9%**

Statutory, underlying and organic total revenue was £2,332m in FY24. Underlying revenue in FY23 of £2,133m reflects statutory revenue of £2,184m retranslated at current year exchange rates, resulting in a foreign exchange headwind of £51m. Organic revenue in FY23 of £2,134m reflects underlying revenue of £2,133m, adjusted for £1m of revenue from Corecon which was acquired during FY23.

[7] Underlying and organic revenue and profit measures are defined in Appendix 1.

[8] Recurring and non-recurring items are defined in Appendix 1, and detailed on page 7 and in note [3] of the financial statements.

Operating profit

Underlying and organic operating profit grew by 21% to £529m (FY23: £438m), resulting in a particularly strong increase in operating margin of 220 basis points to 22.7% (FY23: 20.5%). This was driven by strong revenue growth and operating efficiencies, with disciplined cost management supporting ongoing investment.

Operating profit – underlying and organic reconciliation to statutory

Operating profit bridge	FY24		FY23	
	Operating profit	Operating margin	Operating profit	Operating margin
Statutory	**£452m**	**19.4%**	**£315m**	**14.4%**
Recurring items[9]	£82m		£103m	
Non-recurring items:				
• *Property restructuring*	–		£32m	
• *Employee-related costs*	(£3m)		£9m	
• *Reversal of restructuring costs*	(£2m)		(£3m)	
Impact of FX[10]	–		(£18m)	
Underlying	**£529m**	**22.7%**	**£438m**	**20.5%**
Disposals	–	–	–	–
Acquisitions	–	–	–	–
Organic	**£529m**	**22.7%**	**£438m**	**20.5%**

The Group achieved a statutory operating profit in FY24 of £452m. Underlying operating profit of £529m in FY24 reflects statutory operating profit adjusted for recurring and non-recurring items.

Recurring items of £82m (FY23: £103m) comprise £48m of amortization of acquisition-related intangibles (FY23: £54m) and £34m of M&A-related charges (FY23: £49m). Non-recurring items in FY24 comprise a £3m reversal of employee-related charges for French payroll taxes relating to previous years (FY23: £9m charge), and a £2m reversal of restructuring costs (FY23: £3m). Non-recurring items in FY23 also include property restructuring charges of £32m. Together, recurring and non-recurring items reduced by £64m compared to the prior year.

In addition, the retranslation of FY23 underlying and organic operating profit at current year exchange rates has resulted in an operating profit headwind of £18m. This has led to a 40-basis point margin headwind from foreign exchange to 20.5% (FY23 underlying as reported: 20.9%).

EBITDA

EBITDA was £622m (FY23: £534m) representing a margin of 26.6%. The increase in EBITDA principally reflects the growth in underlying operating profit, together with a £5m reduction in underlying depreciation and amortisation to £48m (FY23: £53m) as a result of property restructuring.

	FY24	FY23	Margin
Underlying operating profit	**£529m**	**£438m**	**22.7%**
Depreciation & amortisation	£48m	£53m	
Share-based payments	£45m	£43m	
EBITDA	**£622m**	**£534m**	**26.6%**

[9] Recurring and non-recurring items are defined in Appendix 1 and detailed in note 3 of the financial statements.

[10] Impact of retranslating FY23 revenue and costs at FY24 average rates.

Net finance cost

The underlying net finance cost for the year decreased to £27m (FY23: £32m), reflecting higher interest income on deposits, and is broadly in line with the statutory net finance cost of £26m (FY23: £33m).

Taxation

The underlying tax expense for FY24 was £120m (FY23: £92m), resulting in an underlying tax rate of 24% (FY23: 23%). The underlying tax rate has increased principally due to the recent rise in the UK corporation tax rate. The statutory income tax expense for FY24 was £103m (FY23: £71m), resulting in a statutory tax rate of 24% (FY23: 25%).

Earnings per share (EPS)

	FY24	FY23	Change
Statutory basic EPS	32.1p	20.7p	+55%
Recurring items	6.3p	8.8p	
Non-recurring items	(0.5)p	2.8p	
Impact of foreign exchange	–	(1.4)p	
Underlying basic EPS	**37.9p**	**30.9p**	**+23%**

Underlying basic EPS increased by 23% to 37.9p, reflecting higher underlying operating profit. Statutory basic EPS increased by 55%, reflecting the increase in underlying basic EPS together with lower charges for recurring and non-recurring items compared to the prior year.

Cash flow

Sage remains highly cash generative with underlying cash flow from operations increasing by 23% to £649m (FY23: £528m), representing underlying cash conversion of 123% (FY23: 116%). This strong cash performance reflects further growth in subscription revenue and continued good working capital management. Free cash flow growth of 30% to £524m (FY23: £404m) reflects strong underlying cash conversion.

Cash flow APMs	**FY24**	**FY23 (as reported)**
Underlying operating profit	£529m	£456m
Depreciation, amortisation and non-cash items in profit	£44m	£51m
Share-based payments	£45m	£43m
Net changes in working capital	£55m	–
Net capital expenditure	(£24m)	(£22m)
Underlying cash flow from operations	**£649m**	**£528m**
Underlying cash conversion %	*123%*	*116%*
Non-recurring cash items	(£5m)	(£11m)
Net interest paid	(£25m)	(£24m)
Income tax paid	(£91m)	(£85m)
Profit and loss foreign exchange movements	(£4m)	(£4m)
Free cash flow	**£524m**	**£404m**

Statutory reconciliation of cash flow from operations	**FY24**	**FY23 (as reported)**
Statutory cash flow from operations	**£625m**	**£505m**
Recurring and non-recurring items	£44m	£41m
Net capital expenditure	(£24m)	(£22m)
Other adjustments including foreign exchange translations	£4m	£4m
Underlying cash flow from operations	**£649m**	**£528m**

Net debt and liquidity

Group net debt was £738m at 30 September 2024 (30 September 2023: £561m), comprising cash and cash equivalents of £508m (30 September 2023: £696m) and total debt of £1,246m (30 September 2023: £1,257m). The Group had £1,138m of cash and available liquidity at 30 September 2024 (30 September 2023: £1,326m).

The increase in net debt in the period is summarised in the table below:

	FY24	FY23 (as reported)
Net debt at 1 October	**(£561m)**	**(£733m)**
Free cash flow	£524m	£404m
New leases	(£26m)	(£14m)
Acquisition of businesses	(£34m)	(£26m)
M&A and equity investments	(£41m)	(£30m)
Dividends paid	(£199m)	(£190m)
Share buyback	(£348m)	-
Purchase of shares by Employee Benefit Trust	(£55m)	(£1m)
FX movement and other	£2m	£29m
Net debt at 30 September	**(£738m)**	**(£561m)**

The Group's debt is sourced from sterling and euro denominated bond notes, together with a syndicated multicurrency revolving credit facility (RCF).

The Group's sterling denominated bond notes comprise a £400m 12-year bond, issued in February 2022, with a coupon of 2.875%, and a £350m 10-year bond, issued in February 2021, with a coupon of 1.625%. Sage's euro denominated bond notes comprise €500m of 5-year notes, with a coupon of 3.82%, issued in February 2023 as part of the Group's Euro Medium Term Note (EMTN) programme.

The Group's RCF of £630m expires in December 2029, having been extended by one year in November 2024. At 30 September 2024, the RCF was undrawn (FY23: undrawn).

Sage has an investment grade issuer rating assigned by Standard and Poor's of BBB+ (stable outlook).

Capital allocation

Sage's disciplined capital allocation policy is focused on accelerating strategic execution through organic and inorganic investment and delivering shareholder returns. During FY24 Sage completed the acquisitions of Bridgetown Software (BidMatrix), a bid analysis tool for the construction industry; Infineo, a specialist in integrated reporting and data visualization software; and Anvyl, a provider of end-to-end supply chain management software.

Sage has a progressive dividend policy, intending to grow the dividend over time while considering the future capital requirements of the Group. The final dividend proposed by the Board is 13.50p per share, taking the total dividend for the year to 20.45p, up 6% compared to the prior year (FY23: 19.30p).

The Group also considers returning surplus capital to shareholders. On 11 April 2024, Sage completed a share buyback programme, commenced on 22 November 2023, under which a total of 29.3m shares were purchased for an aggregate consideration of £345m and subsequently cancelled.

Alongside these results, we have announced a further share buyback programme of up to £400m, reflecting Sage's strong cash generation, robust financial position, and the Board's confidence in the Group's future prospects. Sage continues to have considerable financial flexibility to drive the execution of its growth strategy.

	FY24	FY23 (as reported)
Net debt	£738m	£561m
EBITDA (last twelve months)	£622m	£553m
Net debt/EBITDA Ratio	**1.2x**	**1.0x**

The Group's EBITDA over the last 12 months was £622m, resulting in a net debt to EBITDA leverage ratio of 1.2x, up from 1.0x in the prior year. Sage intends to operate in a broad range of 1x to 2x net debt to EBITDA over the medium term, with flexibility to move outside this range as business needs require.

Return on capital employed (ROCE) for FY24 was 26% (FY23 as reported: 19%).

Going concern

The Directors have robustly tested the going concern assumption in preparing these financial statements, taking into account the Group's strong liquidity position at 30 September 2024 and a number of downside sensitivities, and remain satisfied that the going concern basis of preparation is appropriate. Further information is provided in note 1 of the financial statements on page 19.

Foreign exchange

The Group does not hedge foreign currency profit and loss translation exposure and the statutory results are therefore impacted by movements in exchange rates. The average rates used to translate the consolidated income statement and to normalise prior year underlying and organic figures are as follows:

Average exchange rates (equal to GBP)	FY24	FY23	Change
Euro (€)	1.17	1.15	+2%
US Dollar ($)	1.27	1.23	+3%
Canadian Dollar (C$)	1.73	1.65	+4%
South African Rand (ZAR)	23.50	22.31	+5%

Appendix 1 – Alternative Performance Measures

Alternative Performance Measures are used by the Group to understand and manage performance. These are not defined under International Financial Reporting Standards (IFRS) or UK-adopted International Accounting Standards (UK-IFRS) and are not intended to be a substitute for any IFRS or UK-IFRS measures of performance but have been included as management considers them to be important measures, alongside the comparable GAAP financial measures, in assessing underlying performance. Wherever appropriate and practical, we provide reconciliations to relevant GAAP measures. The table below sets out the basis of calculation of the Alternative Performance Measures and the rationale for their use.

<table>
<tr><th>MEASURE</th><th>DESCRIPTION</th><th>RATIONALE</th></tr>
<tr><td>Underlying (revenue and profit) measures</td><td>Underlying measures are adjusted to exclude items which in management's judgement need to be disclosed separately by virtue of their size, nature or frequency to aid understanding of the performance for the year or comparability between periods:
Recurring items include purchase price adjustments including amortisation of acquired intangible assets and adjustments made to reduce deferred income arising on acquisitions, acquisition-related items and unhedged FX on intercompany balances; and
Non-recurring items that management judge to be one-off or non-operational, such as gains and losses on the disposal of assets, impairment charges and reversals, and restructuring related costs.
Recurring items are adjusted each period irrespective of materiality to ensure consistent treatment.
Underlying basic EPS is also adjusted for the tax impact of recurring and non-recurring items.
All prior period underlying measures (revenue and profit) are retranslated at the current year exchange rates to neutralise the effect of currency fluctuations.</td><td>Underlying measures allow management and investors to compare performance without the effects of foreign exchange movements or recurring or non-recurring 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.</td></tr>
<tr><td>Organic (revenue and profit) measures</td><td>In addition to the adjustments made for Underlying measures, Organic measures:
Exclude the contribution from discontinued operations, disposals and assets held for sale of standalone businesses in the current and prior period; and
Exclude the contribution from acquired businesses until the year following the year of acquisition; and
Adjust the comparative period to present prior period acquired businesses as if they had been part of the Group throughout the prior period.
Acquisitions and disposals where the revenue and contribution impact would be immaterial are not adjusted.</td><td>Organic measures allow management and investors to understand the like-for-like revenue and current period margin performance of the continuing business.</td></tr>
<tr><td>Underlying Cash Flow from Operations</td><td>Underlying Cash Flow from Operations is Underlying Operating Profit adjusted for non-cash items, net capital expenditure (excluding business combinations and similar items) and changes in working capital.</td><td>To show the cash flow generated by the operations and calculate underlying cash conversion.</td></tr>
<tr><td>Underlying Cash Conversion</td><td>Underlying Cash Flow from Operations divided by Underlying (as reported) Operating Profit.</td><td>Cash conversion informs management and investors about the cash operating cycle of the business and how efficiently operating profit is converted into cash.</td></tr>
</table>

MEASURE	DESCRIPTION	RATIONALE
EBITDA	EBITDA is Underlying Operating Profit excluding underlying depreciation, amortisation and share-based payments. Underlying depreciation and amortisation is the statutory equivalent measure, adjusted for the amortisation of acquired intangibles. Underlying share-based payments is the statutory equivalent measure, adjusted for M&A-related share-based payment charges included within other M&A activity related items.	To calculate the Net Debt to EBITDA leverage ratio and to show profitability before the impact of major non-cash charges.
Annualised recurring revenue	Annualised recurring revenue ("ARR") is the normalised recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by twelve. Adjustments to normalise reported recurring revenue involve adjusting for certain components (such as non-refundable contract sign-up fees) to ensure the measure reflects that part of the revenue base which (subject to ongoing use and renewal) can reasonably be expected to repeat in future periods.	ARR represents the annualised value of the recurring revenue base that is expected to be carried into future periods, and its growth is a forward-looking indicator of reporting recurring revenue growth.
Renewal Rate by Value	The ARR from renewals, migrations, upsell and cross-sell of active customers at the start of the year, divided by the opening ARR for the year.	As an indicator of our ability to retain and generate additional revenue from our existing customer base through up and cross sell.
Free Cash Flow	Free Cash Flow is Underlying Cash Flow from Operations minus net interest paid, derivative financial instruments and income tax paid, and adjusted for non-recurring cash items (which excludes net proceeds on disposals of subsidiaries) and profit and loss foreign exchange movements.	To measure the cash generated by the operating activities during the period that is available to repay debt, undertake acquisitions or distribute to shareholders.
% Subscription Penetration	Underlying software subscription revenue as a percentage of underlying total revenue.	To measure the progress of migrating our customer base from licence and maintenance to a subscription relationship.
Return on Capital Employed (ROCE)	ROCE is calculated as underlying Operating Profit, minus amortisation of acquired intangibles, the result being divided by capital employed, which is the average (of the opening and closing balance for the period) total net assets excluding net debt, derivative financial instruments, provisions for non-recurring costs, financial liability for the purchase of own shares and tax assets or liabilities.	As an indicator of the current period financial return on the capital invested in the Company. ROCE is used as an underpin in the FY21, FY22 and FY23 PSP awards.
Net debt	Net debt is cash and cash equivalents less current and non-current borrowings.	To calculate the Net Debt to EBITDA leverage ratio and an indicator of our indebtedness.

Consolidated income statement
For the year ended 30 September 2024

	Note	**2024 £m**	2023 £m
Revenue	2	**2,332**	2,184
Cost of sales		**(168)**	(156)
Gross profit		**2,164**	2,028
Selling and administrative expenses		**(1,712)**	(1,713)
Operating profit	2	**452**	315
Finance income		**19**	12
Finance costs		**(45)**	(45)
Profit before income tax		**426**	282
Income tax expense	4	**(103)**	(71)
Profit for the year		**323**	211
Profit attributable to:			
Owners of the parent		**323**	211
Earnings per share attributable to the owners of the parent (pence)			
Basic	6	**32.10p**	20.75p
Diluted	6	**31.55p**	20.43p

All operations in the year relate to continuing operations.

Consolidated statement of comprehensive income
For the year ended 30 September 2024

	2024 £m	2023 £m
Profit for the year	**323**	211
Items of other comprehensive income that will not be reclassified to profit or loss		
Actuarial loss on post-employment benefit obligations	**(2)**	–
	(2)	–
Items of other comprehensive income that may be reclassified to profit or loss		
Exchange differences on translating foreign operations and net investment hedges	**(101)**	(82)
Cash flow hedges	**–**	4
	(101)	(78)
Other comprehensive expense for the year, net of tax	**(103)**	(78)
Total comprehensive income for the year	**220**	133
Total comprehensive income for the year attributable to:		
Owners of the parent	**220**	133

The notes on pages 19 to 35 form an integral part of this condensed consolidated yearly report.

Consolidated balance sheet
As at 30 September 2024

	Note	2024 £m	2023 £m
Non-current assets			
Goodwill	7	**2,130**	2,245
Other intangible assets	7	**219**	274
Property, plant and equipment	7	**108**	104
Equity investments		**6**	4
Trade and other receivables		**137**	138
Deferred income tax assets		**81**	56
Derivative financial instruments		**29**	1
		2,710	2,822
Current assets			
Trade and other receivables		**404**	376
Current income tax asset		**16**	42
Cash and cash equivalents (excluding bank overdrafts)	9	**508**	696
		928	1,114
Total assets		**3,638**	3,936
Current liabilities			
Trade and other payables		**(405)**	(378)
Current income tax liabilities		**(26)**	(25)
Borrowings	9	**(15)**	(14)
Provisions		**(22)**	(23)
Deferred income		**(758)**	(745)
		(1,226)	(1,185)
Non-current liabilities			
Borrowings	9	**(1,231)**	(1,243)
Post-employment benefits		**(23)**	(19)
Deferred income tax liabilities		**(18)**	(18)
Provisions		**(25)**	(24)
Trade and other payables		**(3)**	(13)
Deferred income		**(6)**	(7)
Derivative financial instruments		**(13)**	(20)
		(1,319)	(1,344)
Total liabilities		**(2,545)**	(2,529)
Net assets		**1,093**	1,407
Equity attributable to owners of the parent			
Ordinary shares	8	**11**	12
Share premium	8	**548**	548
Other reserves	8	**88**	189
Retained earnings		**446**	658
Total equity		**1,093**	1,407

Consolidated statement of changes in equity
For the year ended 30 September 2024

	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 October 2023	**12**	**548**	**189**	**658**	**1,407**
Profit for the year	**–**	**–**	**–**	**323**	**323**
Other comprehensive expense					
Exchange differences on translating foreign operations and net investment hedges	**–**	**–**	**(101)**	**–**	**(101)**
Actuarial loss on post-employment benefit obligations	**–**	**–**	**–**	**(2)**	**(2)**
Total comprehensive (expense)/income for the year ended 30 September 2024	**–**	**–**	**(101)**	**321**	**220**
Transactions with owners					
Employee share option scheme - value of employee services including deferred tax	**–**	**–**	**–**	**62**	**62**
Proceeds from issuance of treasury shares	**–**	**–**	**–**	**9**	**9**
Cancellation of ordinary shares	**(1)**	**–**	**–**	**1**	**–**
Share buyback programme	**–**	**–**	**–**	**(351)**	**(351)**
Purchase of shares by Employee Benefit Trust	**–**	**–**	**–**	**(55)**	**(55)**
Dividends paid to owners of the parent	**–**	**–**	**–**	**(199)**	**(199)**
Total transactions with owners for the year ended 30 September 2024	**(1)**	**–**	**–**	**(533)**	**(534)**
At 30 September 2024	**11**	**548**	**88**	**446**	**1,093**

Consolidated statement of changes in equity
For the year ended 30 September 2023

	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 October 2022	12	548	267	570	1,397
Profit for the year	–	–	–	211	211
Other comprehensive (expense)/income					
Exchange differences on translating foreign operations and net investment hedges	–	–	(82)	–	(82)
Cashflow hedges	–	–	4	–	4
Total comprehensive (expense)/income for the year ended 30 September 2023	–	–	(78)	211	133
Transactions with owners					
Employee share option scheme - value of employee services including deferred tax	–	–	–	57	57
Proceeds from issuance of treasury shares	–	–	–	11	11
Purchase of shares by Employee Benefit Trust	–	–	–	(1)	(1)
Dividends paid to owners of the parent	–	–	–	(190)	(190)
Total transactions with owners for the year ended 30 September 2023	–	–	–	(123)	(123)
At 30 September 2023	12	548	189	658	1,407

Consolidated statement of cash flows
For the year ended 30 September 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Cash generated from continuing operations		**625**	505
Interest paid		**(43)**	(33)
Income tax paid		**(91)**	(85)
Net cash generated from operating activities		**491**	387
Cash flows from investing activities			
Purchase of equity investment		**(2)**	–
Acquisition of subsidiaries, net of cash acquired	11	**(30)**	(26)
Purchases of intangible assets	7	**(18)**	(17)
Purchases of property, plant and equipment	7	**(19)**	(5)
Proceeds from disposals of property, plant and equipment	7	**9**	–
Interest received		**19**	12
Net cash used in investing activities		**(41)**	(36)
Cash flows from financing activities			
Proceeds from borrowings		**–**	440
Repayments of borrowings		**–**	(353)
Capital element of lease payments	9	**(16)**	(18)
Borrowing costs		**(1)**	(3)
Share buyback programme		**(348)**	–
Proceeds from issuance of treasury shares	8	**9**	11
Purchase of shares by Employee Benefit Trust	8	**(55)**	(1)
Dividends paid to owners of the parent	5	**(199)**	(190)
Net cash used in financing activities		**(610)**	(114)
Net (decrease)/increase in cash and cash equivalents (before exchange rate movement)		**(160)**	237
Effects of exchange rate movement	9	**(28)**	(30)
Net (decrease)/increase in cash and cash equivalents		**(188)**	207
Cash, cash equivalents and bank overdrafts at 1 October	9	**696**	489
Cash, cash equivalents and bank overdrafts at 30 September	9	**508**	696

Notes to the financial information

For the year ended 30 September 2024

1. Group accounting policies

General information

The Sage Group plc (the "Company") and its subsidiaries (together the "Group") is a leader in accounting, financial, HR and payroll technology for small and mid-sized businesses.

The financial information set out above does not constitute the Company's statutory financial statements, which comprise the Annual Report & Accounts and audited annual financial statements for the year ended 30 September 2024 or 2023 but is derived from those financial statements. Statutory financial statements for the year ended 30 September 2023 have been delivered to the Registrar of Companies and those for 2024 will be delivered in December 2024. The auditors have reported on both sets of accounts; their reports were unqualified and did not contain statements under section 498 (2), (3) or (4) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with UK-adopted International Accounting Standards (UK-IFRS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), this announcement does not in itself contain sufficient information to comply with IFRS as issued by the IASB or UK-IFRS. The financial information has been prepared on the basis of the accounting policies and accounting estimates and judgements as set out in the Annual Report & Accounts for 2024.

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ. The Company is listed on the London Stock Exchange.

All figures presented are rounded to the nearest £m, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-IFRS in conformity with the requirements of the Companies Act 2006 and also prepared in accordance with IFRS as issued by the IASB.

UK-IFRS can differ in certain respects from IFRS as issued by the IASB. The differences have no impact on the Group's consolidated financial statements for the years presented.

The consolidated financial statements have been prepared under the historical cost convention, except where adopted IFRS require an alternative treatment. The principal variations from the historical cost convention relate to derivative financial instruments and equity investments which are measured at fair value. In preparing the financial statements in the current year, management have removed non-GAAP information (i.e. underlying measures) from the consolidated income statement that was presented in previous years, in order to simplify the report by limiting the primary statements to information prepared under UK-IFRS.

The financial statements of the Group comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared at the end of the reporting period. The accounting policies have been consistently applied across the Group. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, which is usually from the date of acquisition.

Going Concern

In preparing these financial statements, the Directors have reviewed and approved a going concern assessment which considers the liquidity forecast of the Group for the period through to 31 March 2026 (the going concern assessment period). The liquidity forecast reflects the expected impact of economic conditions on trading, including the current inflationary environment. More specifically, full consideration has been given to the potential risks and uncertainties linked to the changing macro-economic environment, and the possible impact on the Group's customer base.

In light of this, we note that the Group's operational and financially robust position is supported by:

- High-quality recurring and subscription-based revenue;
- Resilient cash generation and robust liquidity, supported by strong underlying cash conversion of 123%, reflecting the strength of the subscription business model; and
- A well-diversified small and mid-sized customer base which is geographically diverse.

In preparing the going concern, assessment scenario-specific stress testing has been performed, with the level of churn assumptions increasing by 75%, and a significant reduction in the level of new customer acquisition and sales to existing customers. Under these scenarios, the Group continues to have sufficient resources to continue in operational existence without the need to seek additional financing. If more severe impacts occur there are further controllable mitigating actions which can be taken to protect liquidity, including the reduction of discretionary spend. Stress testing has also been performed as part of the severe but plausible scenarios (as described within the Viability Statement in the Annual Report & Accounts for 2024).

The Directors have also reviewed the results of reverse stress testing performed to provide an illustration of the level of churn and deterioration in new customer acquisition which would be required to exhaust available liquidity down to minimum working capital requirements. The result of the reverse stress testing has highlighted that such a scenario would only arise following a significant deterioration in performance, well in excess of the assumptions considered in the stress testing scenarios above. The probability of these factors occurring is deemed to be remote given the resilient nature of the subscription business model, robust balance sheet, and continued strong cash conversion.

After making enquiries, the Directors have a reasonable expectation that Sage has adequate resources to continue in operational existence throughout the going concern assessment period. Accordingly, the consolidated and parent Company financial information has been prepared on a going concern basis.

Further details for adopting the going concern basis are set out in the Directors' Report on page 156 of the Annual Report & Accounts for 2024.

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2024.

Adoption of new and revised IFRSs

There are no accounting standards, amendments, or interpretations effective for the first time this financial year that have had a material impact on the Group. No standards have been early adopted during the year.

The Directors also considered the impact on the Group of new and revised accounting standards, interpretations, or amendments which have been issued but were not effective for the Group for the year ended 30 September 2024.

On 9 April 2024, the International Accounting Standards Board ("IASB") issued a new standard IFRS 18 "Presentation and Disclosure in Financial Statements", which if adopted by the UK Endorsement Board, will be effective for annual reporting periods beginning on or after 1 January 2027. While IFRS 18 will not impact the recognition or measurement of items in the financial statements, it will likely result in changes to how Sage presents certain information. The Group is in the process of assessing the impact that the application of this standard will have on the Group's financial statements when first applied.

No other new or revised accounting standards, interpretations, or amendments which have been issued but were not effective are expected to have a material impact on the Group's financial statements when first applied.

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change, with particular reference to the disclosures provided in the Group's Strategic Report within the Annual Report & Accounts for 2024.

As a business, we are committed to reducing our carbon emissions and target achieving net zero by 2040. We support our customers, small and mid-sized businesses, in achieving net zero by sharing the knowledge, technology and skills to be a driving force for change. We have continued to support more broadly by advocating for enabling policies and standards that support a transition to a low-carbon economy.

We recognise the importance of identifying and effectively managing the physical and transitional risks that climate change poses to our operations and consider the impact of climate-related matters, including legislation, on our business.

The climate change scenario analyses undertaken in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations did not identify any material impact on the Group's financial results, going concern or viability. More specifically:

- In preparing the viability assessment, consideration has been given to the potential impact of climate change over the next three years, as set out in the Strategic Report. No material impact has been identified at this stage.
- Climate change related factors on matters including residual values, useful lives and depreciation and amortisation periods which relate to non-current assets have also been considered, with no impact identified at this stage.
- In our future forecasts used for goodwill impairment and the going concern assessment, we have considered the extent to which costs associated with our climate related commitments have been considered, as well as broader societal commitments. These commitments do not have a material impact.
- We have also considered the extent to which climate change could impact longer-term economic growth, which may impact long-term growth rates used in the goodwill impairment test. Sensitivity testing demonstrates that all cash-generating units retain sufficient headroom.

Accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and judgements by management. It also requires management to exercise its judgement in the process of applying the accounting policies. We continually evaluate our estimates and judgements based on available information.

Management has determined that there are no areas of estimation uncertainty that could be significant under IAS 1, 'Presentation of Financial Statements', being areas of estimation uncertainty with a significant risk of a material change to the carrying value of assets and liabilities within the next financial year.

Other key estimates are made when preparing the financial statements, which, while not meeting the definition of a significant estimate under IAS 1, involve the measurement of certain material assets or a higher degree of complexity.

Significant judgements are those made by management in applying our accounting policies that have a material impact on the amounts presented in the financial statements.

Management's rationale in relation to these key accounting estimates and significant judgements are regularly assessed and, where material in value or in risk, are discussed with the Audit and Risk Committee. These areas are discussed in further detail below:

Revenue recognition (judgement)

Over a third of the Company's revenue is generated from sales to business partners rather than end users. The key judgement is determining whether the business partner is a customer of the Group. The key criteria in this determination is whether the business partner has taken control of the product. Considering the nature of Sage's subscription products and support services, this is usually assessed based on whether the business partner has responsibility for payment, has discretion to set prices, and takes on the risks and rewards of the product from Sage.

Where the business partner is a customer of Sage, discounts are recognised as a deduction from revenue.

Where the business partner is not a customer of Sage and their part in the sale has simply been in the form of a referral, they are remunerated in the form of a commission payment. These payments are treated as contract acquisition costs.

Goodwill impairment (estimate)

The estimates applied in calculating the value in use of the CGUs being tested for impairment are a source of estimation uncertainty. The key estimates considered in the calculation relate to the future performance expectations of the business and include the average medium-term revenue growth rate, the long-term growth rate of net operating cash flows and the discount rate.

Further information on these key estimates, as well as the level at which goodwill is monitored and the results of sensitivity analysis, are disclosed in the annual financial statements for the year ended 30 September 2024.

Business Combinations (judgement and estimate)

When the Group completes a business combination, the consideration transferred for the acquisition and the identifiable assets and liabilities are recognised at their fair values. The amount by which the consideration exceeds the net assets acquired is recognised as goodwill. The application of accounting policies to business combinations involves judgement and the use of estimates.

On 9 September 2024, the Group acquired a 100% controlling interest in Infineo SAS ("Infineo") which constituted a significant business combination (see note 11). The key areas of judgement include the identification and subsequent measurement of acquired intangible assets. However, in line with IFRS 3, the initial accounting for the acquisition of Infineo is provisional as at 30 September 2024. The residual excess of consideration over the net assets acquired has been provisionally recognised as unallocated goodwill. No goodwill is expected to be deductible for tax purposes. Adjustments to provisional amounts will be made within the permitted measurement period where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date. It is expected that the acquisition accounting will be finalised within 12 months.

2. Segment information

In accordance with IFRS 8, “Operating Segments”, information for the Group’s operating segments has been derived using the information used by the chief operating decision maker. The Group’s Executive Leadership Team (“ELT”) has been identified as the chief operating decision maker, in accordance with their designated responsibility for the allocation of resources to operating segments and assessing their performance through the Monthly Execution & Performance Reviews. The ELT uses organic and underlying data to monitor business performance. Operating segments are reported in a manner which is consistent with the operating segments produced for internal management reporting.

With effect from 1 October 2023, the Group is organised into three key operating segments:

- North America
- United Kingdom, Ireland, Africa and APAC (UKIA)
- Europe

For reporting under IFRS 8, each of the three operating segments above represents a reportable segment.

Prior to this date, the Group was organised into seven operating segments: North America, UK & Ireland, Central Europe (Germany, Austria and Switzerland), France, Iberia (Spain and Portugal), Africa and the Middle East, and Asia (including Australia).

The UKIA operating segment is the aggregation of the previously identified UK & Ireland, Africa and the Middle East, and Asia (including Australia) segments, while the Europe operating segment is the aggregation of the previously identified Central Europe, France and Iberia operating segments. There have been no changes to the North America operating segment.

Two of the reportable segments presented above, North America and Europe, remain consistent with the reportable segments identified in the previous annual financial statements for the year ended 30 September 2023. However in previous years, the UKIA reportable segment was disaggregated and presented as two reportable segments, UK & Ireland and Africa & APAC.

Therefore, the financial data presented in the following tables for the comparative period (year ended 30 September 2023) has been restated to aggregate the two historic reportable segments into the newly identified UKIA.

The revenue analysis in the table below is based on the location of the customer, which is not materially different from the location where the order is received and where the assets are located.

Category	Examples
Recurring revenue	Subscription revenue Other recurring revenue
Other revenue	Perpetual software licences Upgrades to perpetual licences Professional services Training

Revenue by segment

	Year ended 30 September 2024					Change		
	Statutory £m	**Underlying adjustments £m**	**Underlying £m**	**Organic adjustments £m**	**Organic £m**	Statutory	Underlying	Organic
Recurring revenue by segment								
North America	**1,028**	**–**	**1,028**	**–**	**1,028**	9%	13%	12%
UKIA	**655**	**–**	**655**	**–**	**655**	7%	8%	8%
Europe	**574**	**–**	**574**	**–**	**574**	6%	8%	8%
Recurring revenue	**2,257**	**–**	**2,257**	**–**	**2,257**	8%	10%	10%
Other revenue by segment								
North America	**24**	**–**	**24**	**–**	**24**	(15%)	(12%)	(12%)
UKIA	**15**	**–**	**15**	**–**	**15**	(4%)	(1%)	(1%)
Europe	**36**	**–**	**36**	**–**	**36**	(15%)	(14%)	(14%)
Other revenue	**75**	**–**	**75**	**–**	**75**	(13%)	(11%)	(11%)
Total revenue by segment								
North America	**1,052**	**–**	**1,052**	**–**	**1,052**	8%	12%	12%
UKIA	**670**	**–**	**670**	**–**	**670**	7%	8%	8%
Europe	**610**	**–**	**610**	**–**	**610**	5%	6%	6%
Total revenue	**2,332**	**–**	**2,332**	**–**	**2,332**	7%	9%	9%

	Year ended 30 September 2024					Change		
	Statutory £m	**Underlying adjustments £m**	**Underlying £m**	**Organic adjustments £m**	**Organic £m**	Statutory	Underlying	Organic
Total recurring revenue by type								
Software subscription revenue	**1,910**	**–**	**1,910**	**–**	**1,910**	10%	13%	13%
Other recurring revenue	**347**	**–**	**347**	**–**	**347**	(5%)	(2%)	(2%)
Recurring revenue	**2,257**	**–**	**2,257**	**–**	**2,257**	8%	10%	10%
Other revenue	**75**	**–**	**75**	**–**	**75**	(13%)	(11%)	(11%)
Total revenue	**2,332**	**–**	**2,332**	**–**	**2,332**	7%	9%	9%

Revenue by segment (continued)

	Year ended 30 September 2023 (Restated)						
	Statutory £m	Underlying adjustments £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic Adjustments* £m	Organic £m
Recurring revenue by segment							
North America	944	–	944	(31)	913	1	914
UKIA**	611	–	611	(7)	604	–	604
Europe	541	–	541	(10)	531	–	531
Recurring revenue	2,096	–	2,096	(48)	2,048	1	2,049
Other revenue by segment							
North America	29	–	29	(2)	27	–	27
UKIA**	16	–	16	–	16	–	16
Europe	43	–	43	(1)	42	–	42
Other revenue	88	–	88	(3)	85	–	85
Total revenue by segment							
North America	973	–	973	(33)	940	1	941
UKIA**	627	–	627	(7)	620	–	620
Europe	584	–	584	(11)	573	–	573
Total revenue	2,184	–	2,184	(51)	2,133	1	2,134

	Year ended 30 September 2023						
	Statutory £m	Underlying adjustments £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic Adjustments* £m	Organic £m
Total recurring revenue by type							
Software subscription revenue	1,732	–	1,732	(38)	1,694	1	1,695
Other recurring revenue	364	–	364	(10)	354	–	354
Recurring revenue	2,096	–	2,096	(48)	2,048	1	2,049
Other revenue	88	–	88	(3)	85	–	85
Total revenue	2,184	–	2,184	(51)	2,133	1	2,134

Notes:

* Adjustments relate to the acquisition of Corecon in the previous year.
** Previously disaggregated into two reportable segments, i) UK & Ireland, and ii) Africa & APAC.

Operating profit by segment

	Year ended 30 September 2024					Change		
	Statutory £m	**Underlying adjustments £m**	**Underlying £m**	**Organic adjustments £m**	**Organic £m**	Statutory %	Underlying %	Organic %
Operating profit by segment								
North America	**192**	**43**	**235**	**–**	**235**	51%	26%	26%
UKIA	**155**	**33**	**188**	**–**	**188**	94%	37%	37%
Europe	**105**	**1**	**106**	**–**	**106**	(3%)	(7%)	(7%)
Total operating profit	**452**	**77**	**529**	**–**	**529**	43%	21%	21%

	Year ended 30 September 2023 (Restated)						
	Statutory £m	Underlying adjustments £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic adjustments £m	Organic £m
Operating profit by segment							
North America	127	71	198	(11)	187	–	187
UKIA*	80	60	140	(3)	137	–	137
Europe	108	10	118	(4)	114	–	114
Total operating Profit	315	141	456	(18)	438	–	438

* Previously disaggregated into two reportable segments, i) UK & Ireland, and ii) Africa & APAC.

Reconciliation of underlying operating profit to statutory operating profit

	2024 £m	2023 £m
Underlying operating profit by reportable segment		
North America	**235**	187
UKIA*	**188**	137
Europe	**106**	114
Underlying operating profit	**529**	438
Impact of movement in foreign currency exchange rates	**–**	18
Underlying operating profit (as reported)	**529**	456
Recurring items	**(82)**	(103)
Non-recurring items	**5**	(38)
Statutory operating profit	**452**	315

* Previously disaggregated into two reportable segments, i) UK & Ireland, and ii) Africa & APAC.

3. Adjustments between underlying profit and statutory profit

	Year ended 30 September 2024		Year ended 30 September 2023	
	Operating profit £m	**Profit before tax £m**	Operating profit £m	Profit before tax £m
Statutory measures	**452**	**426**	315	282
Recurring items				
• Amortisation of acquired intangibles	**48**	**48**	54	54
• Other M&A activity-related items	**34**	**34**	49	49
• Foreign currency movements on intercompany balances	**–**	**(1)**	–	1
Non-recurring items				
• Reversal of employee-related costs	**(3)**	**(3)**	9	9
• Reversal of restructuring costs	**(2)**	**(2)**	(3)	(3)
• Property restructuring costs	**–**	**–**	32	32
Underlying (as reported) measures	**529**	**502**	456	424

Recurring items

Acquired intangibles are assets which have previously been recognised as part of business combinations or similar transactions. These assets are predominantly customer relationships and technology rights.

Other M&A activity-related items relate to advisory, legal, accounting, valuation, and other professional or consulting services which are related to M&A activity as well as acquisition-related remuneration and directly attributable integration costs. £5m (2023: £18m) of these costs have been paid in the year, while the remainder is expected to be paid in subsequent financial years.

Foreign currency movements on intercompany balances occur due to retranslation of unhedged intercompany balances other than those where settlement is not planned or likely in the foreseeable future and resulted in a gain of £1m (2023: loss of £1m).

Non-recurring items

Net credits in respect of non-recurring items amounted to £5m (2023: net charge £38m).

Reversal of employee-related costs of £3m (2023: charge of £9m) relate to a charge for French payroll taxes relating to previous years.

Reversal of restructuring costs of £2m (2023: £3m) largely relates to an unutilised provision recognised in 2021.

Property restructuring costs in the prior year related to the reorganisation of a number of leased properties following a strategic review of the Group's property portfolio. Costs of £32m consisted of impairment of £22m of right of use assets and other related fixed assets that are no longer in use as well as a provision for directly attributable future running costs associated with the properties.

4. Income tax expense

The effective tax rate on statutory profit before tax was 24% (2023: 25%), whilst the effective tax rate on underlying profit before tax on continuing operations was 24% (2023: 23%).

The underlying effective tax rate is lower than the UK corporation tax rate applicable to the Group, primarily due to the innovation tax credits for registered patents and software, and research and development activities which attract government tax incentives in a number of operating territories.

5. Dividends

	2024 £m	2023 £m
Final dividend paid for the year ended 30 September 2023 of 12.75p per share	**129**	–
(2023: final dividend paid for the year ended 30 September 2022 of 12.10p per share)	**–**	123
Interim dividend paid for the year ended 30 September 2024 of 6.95p per share	**70**	–
(2023: interim dividend paid for the year ended 30 September 2023 of 6.55p per share)	**–**	67
	199	190

In addition, the Directors are proposing a final dividend in respect of the financial year ended 30 September 2024 of 13.50p per share. The Company's distributable reserves are sufficient to support the payment of this dividend. If approved at the AGM on 6 February 2025, it will be paid on 11 February 2025 to shareholders who are on the register of members on 10 January 2025. These financial statements do not reflect this proposed dividend payable.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares and held by the Employee Benefit Trust, which are treated as cancelled, until reissued.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares, exercisable at the end of the year. The Group has one class of dilutive potential ordinary shares, which are share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year, where the vesting criteria are achieved at year-end.

	Underlying 2024	Underlying as reported* 2023	Underlying 2023	**Statutory 2024**	Statutory 2023
Earnings attributable to owners of the parent** (£m)					
Profit for the year	**382**	329	315	**323**	211
Number of shares (millions)					
Weighted average number of shares	**1,007**	1,020	1,020	**1,007**	1,020
Dilutive effects of shares	**18**	16	16	**18**	16
	1,025	1,036	1,036	**1,025**	1,036
Earnings per share attributable to owners of the parent** (pence)					
Basic earnings per share	**37.91**	32.25	30.92	**32.10**	20.75
Diluted earnings per share	**37.25**	31.75	30.44	**31.55**	20.43

Note:
* Underlying as reported is at 2023 reported exchange rates.
** All operations in the years relate to continuing operations.

Reconciliation of earnings	**2024 £m**	2023 £m
Statutory profit for the period attributable to owners of the parent	**323**	211
Adjustments:		
• Recurring items	**81**	104
• Non-recurring items	**(5)**	38
Taxation on adjustments between statutory and underlying profit before tax	**(17)**	(24)
Underlying profit for the period attributable to owners of the parent (as reported)	**382**	329
Impact of movement in foreign currency exchange rates	**–**	(14)
Underlying profit for the period (after exchange movement) attributable to owners of the parent	**382**	315

7. Non-current assets

	Goodwill £m	Other intangible assets £m	Property, plant and equipment £m	Total £m
Opening net book amount at 1 October 2023	**2,245**	**274**	**104**	**2,623**
Additions	**–**	**21**	**43**	**64**
Acquisition of subsidiaries	**32**	**–**	**–**	**32**
Disposals	**–**	**–**	**(7)**	**(7)**
Depreciation, amortisation and other movements	**–**	**(67)**	**(29)**	**(96)**
Exchange movement	**(147)**	**(9)**	**(3)**	**(159)**
Closing net book amount at 30 September 2024	**2,130**	**219**	**108**	**2,457**

	Goodwill £m	Other intangible assets £m	Property, plant and equipment £m	Total £m
Opening net book amount at 1 October 2022	2,391	320	152	2,863
Additions	–	17	20	37
Acquisition of subsidiaries	11	15	–	26
Impairment	–	–	(22)	(22)
Depreciation, amortisation and other movements	–	(69)	(40)	(109)
Exchange movement	(157)	(9)	(6)	(172)
Closing net book amount at 30 September 2023	2,245	274	104	2,623

Goodwill is not subject to amortisation but is tested for impairment annually or upon any indication of impairment. At 30 September 2024, there were no indicators of impairment to goodwill.

In the prior year, impairment of property, plant and equipment of £22m related to the property restructuring programme, classified within non-recurring adjustments between underlying and statutory results (see note 3).

During the year, the Group disposed of its Beaverton property site with a carrying value of £7m, which was part of the North America operating segment, for proceeds of £9m. The profit on disposal of the site has been recognised through selling and administrative expenses and proceeds from the sale have been recognised through cashflows from investing activities.

8. Equity

Ordinary shares and share premium

	Number of shares	Ordinary Shares* £m	Share premium £m	Total £m
At 1 October 2023	**1,100,789,295**	**12**	**548**	**560**
Cancellation of shares	**(29,289,778)**	**(1)**	**–**	**(1)**
At 30 September 2024	**1,071,499,517**	**11**	**548**	**559**
At 1 October 2022 and 30 September 2023	1,100,789,295	12	548	560

* Issued and fully paid ordinary shares of 1 4/77 pence each

At 30 September 2024 the Group held 66,725,007 treasury shares (2023: 73,906,470). During the year, the Group satisfied the vesting of certain share awards utilising 7,181,463 treasury shares (2023: 7,262,433).

On 22 November 2023, the Group entered into a non-discretionary share buyback programme to purchase up to £350m of its own shares. The programme completed in April 2024, for a total consideration of £345m plus expected associated taxes, corresponding to the £351m recognised through retained earnings at the balance sheet date, of which £348m was paid in the current year.

During the year, the Group repurchased a total of 29,289,778 ordinary shares as part of the programme, all of which were subsequently cancelled. The average price paid per ordinary share was £11.79.

At 30 September 2024 the Employee Benefit Trust holds 8,473,802 ordinary shares in the Company (2023: 4,419,478) with £55m of shares purchased during the year (2023: £1m), funded by the Company, and a nominal value of £nil (2023: £nil). During the year, the Employee Benefit Trust satisfied the vesting of certain share awards utilising 1,381,398 ordinary shares (2023: 258,505).

The EBT did not receive additional funds for future purchase of shares in the market (2023: £nil).

The costs of funding and administering the EBT are charged to the profit and loss account of the Company in the period to which they relate. The market value of the shares of the Company held by the EBT at 30 September 2024 was £87m (2023: £44m).

Other Reserves

All components of other reserves are presented on a consolidated basis on the face of the consolidated statement of changes in equity.

	Translation reserve £m	Hedging Reserve £m	Merger Reserve £m	Total £m
At 1 October 2023	**124**	**4**	**61**	**189**
Exchange differences on translating foreign operations and net investment hedges	**(101)**	**–**	**–**	**(101)**
At 30 September 2024	**23**	**4**	**61**	**88**

	Translation reserve £m	Hedging Reserve £m	Merger Reserve £m	Total £m
At 1 October 2023	206	–	61	267
Exchange differences on translating foreign operations and net investment hedges	(82)	–	–	(82)
Cash flow hedges	–	4	–	4
At 30 September 2024	124	4	61	189

9. Cash flow and net debt

	2024 **£m**	2023 £m
Statutory operating profit	**452**	315
Recurring and non-recurring items	**77**	141
Underlying operating profit (as reported)	**529**	456
Depreciation, amortisation and other non-cash items	**44**	51
Share-based payments	**45**	43
Net changes in working capital	**55**	–
Net capital expenditure	**(24)**	(22)
Underlying cash flow from operating activities	**649**	528
Non-recurring items	**(5)**	(11)
Net interest paid	**(25)**	(24)
Income tax paid	**(91)**	(85)
Exchange movement	**(4)**	(4)
Free cash flow	**524**	404
Net debt at 1 October	**(561)**	(733)
Acquisition of businesses	**(34)**	(26)
Acquisition and disposals related items	**(39)**	(30)
Purchase of equity investment	**(2)**	–
Proceeds from issuance of treasury shares	**9**	11
Dividends paid to owners of the parent	**(199)**	(190)
Share buyback programme	**(348)**	–
Purchase of shares by Employee Benefit Trust	**(55)**	(1)
New leases less disposals	**(26)**	(14)
Exchange movement	**(7)**	19
Other	**–**	(1)
Net debt at 30 September	**(738)**	(561)

	2024 **£m**	2023 £m
Underlying cash flow from operations	**649**	528
Net capital expenditure	**24**	22
Recurring and non-recurring cash items	**(44)**	(41)
Other adjustments including foreign exchange translations	**(4)**	(4)
Statutory cash flow from operations	**625**	505

Analysis of change in net debt

	At 1 October 2022 £m	**At 1 October 2023 £m**	**Cash flow £m**	**Acquisition of subsidiaries £m**	**Non-cash movements £m**	**Exchange movement £m**	**At 30 September 2024 £m**
Cash and cash equivalents	489	**696**	**(164)**	**4**	**–**	**(28)**	**508**
Liabilities arising from financing activities							
Loans due within one year	(161)	**–**	**–**	**–**	**–**	**–**	**–**
Loans due after more than one year	(966)	**(1,171)**	**–**	**–**	**(2)**	**17**	**(1,156)**
Lease liabilities due within one year	(17)	**(14)**	**18**	**–**	**(20)**	**1**	**(15)**
Lease liabilities after more than one year	(78)	**(72)**	**–**	**–**	**(6)**	**3**	**(75)**
	(1,222)	**(1,257)**	**18**	**–**	**(28)**	**21**	**(1,246)**
Total	(733)	**(561)**	**(146)**	**4**	**(28)**	**(7)**	**(738)**

The Group's debt is sourced from sterling and euro denominated bond notes, with a syndicated Revolving Credit Facility (RCF) also available.

	Year issued	Interest coupon*	Maturity	**2024 £m**	2023 £m
Bonds					
• GBP 350m bond notes	2021	1.63%	25-Feb-31	**350**	350
• GBP 400m bond notes	2022	2.88%	8-Feb-34	**400**	400
• EUR 500m bond notes	2023	3.82%	15-Feb-28	**416**	433
• Unamortised issue and discount costs	N/A	N/A	N/A	**(9)**	(10)
Unamortised RCF loan costs	N/A	N/A	N/A	**(1)**	(2)
Total				**1,156**	1,171

Note: This does not include the impact of cross currency interest rate swaps entered into in relation to the GBP 350m bond notes and EUR 500m bond notes.

In November 2023, a one-year extension of the Group's RCF was agreed, resulting in a new maturity in December 2028. In November 2024, after the balance sheet date, a further one-year extension was agreed, resulting in a new maturity in December 2029. At 30 September 2024, £nil of the RCF was drawn down (2023: £nil).

10. Financial instruments

The carrying amounts of the following financial assets and liabilities approximate to their fair values: trade and other payables excluding tax and social security, trade and other receivables excluding prepayments and accrued income, lease liabilities and short-term bank deposits, and cash at bank and in hand.

The fair value of the sterling and euro denominated bond notes are determined by reference to quoted market prices and therefore can be considered as a level 1 fair value as defined within IFRS 13.

The fair value of the cross-currency interest rate swaps held by the Group is determined using a discounted cash flow valuation technique at market rates and therefore can be considered as a level 2 fair value as defined within IFRS 13.

The Group does not hold any financial liabilities whose fair value would be considered as a level 3 fair value as defined within IFRS 13.

The respective book and fair values of bond notes are included in the table below.

	At 30 September 2024		At 30 September 2023	
	Book Value £m	**Fair Value £m**	Book Value £m	Fair Value £m
Long-term borrowings (excluding lease liabilities)	**(1,156)**	**(1,065)**	(1,171)	(1,014)

11. Acquisitions and disposals

Acquisitions made during the current year

Infineo

On 9 September 2024, the Group acquired a 100% controlling interest in Infineo SAS (“Infineo”). Infineo provides on-premises and cloud based financial reporting solutions for SMB’s, streamlining data collection and enabling the creation of real-time dashboards and reports. The acquisition of Infineo accelerates Sage’s strategy for growth by broadening its value prioritisation for SMBs and demonstrating Sage’s renewed commitment to the French market.

Summary of acquisition	**Total £m**
Acquisition-date fair value of consideration	34
Provisional fair value of identifiable net assets	(2)
Goodwill	**32**

In line with IFRS 3, the initial accounting for the acquisition of Infineo is provisional. The provisional fair value of identifiable net assets acquired comprises cash and cash equivalents of £4m and trade and other payables of £2m. The residual excess of consideration over the net assets acquired has been provisionally recognised as unallocated goodwill. No goodwill is expected to be deductible for tax purposes. Adjustments to provisional amounts will be made within the permitted measurement period where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date. It is expected that the acquisition accounting will be finalised within 12 months. The results of the business are allocated to the Europe operating segment in line with the underlying operations.

The outflow of cash and cash equivalents on the acquisition is as follows:

	Total £m
Cash consideration	(34)
Cash and cash equivalents acquired	4
Net cash outflow	**(30)**

Transaction costs of £2m relating to the acquisition have been included in selling and administrative expenses, classified as other M&A activity-related items within recurring adjustments between underlying and statutory results. These costs relate to advisory, legal and other professional services. See note 3.

Arrangements have been put in place for retention payments to remunerate employees of Infineo for future services, classified as other M&A activity-related items. The total cost of these arrangements will be recognised in future periods over the retention period, contingent on employment.

The consolidated income statement includes revenue and loss after tax relating to Infineo for the period since the acquisition date, of which both are immaterial. On an underlying basis, revenue would have increased by £1m and profit after tax would have increased by £3m, if Infineo had been acquired at the start of the financial year and included in the Group's results for the year ended 30 September 2024. On a statutory basis, revenue would have increased by £1m with no impact on the profit after tax, which includes £3m of other M&A activity related items.

12. Related party transactions

The Group's related parties are its subsidiary undertakings and its key management personnel, which comprises the Group's Executive Leadership Team members and the Non-executive Directors. Transactions and outstanding balances between the parent and its subsidiaries within the Group and between those subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Key management personnel compensation	2024 £m	2023 £m
Salaries and short-term employee benefits	**12**	10
Share-based payments	**8**	7
	20	17

The key management personnel figures given above include the Executive Leadership Team and the Non-executive Directors of the Group.

13. Events after the balance sheet date

On 29 October 2024, the Group acquired 100% equity capital and voting rights of Tritium Software, S.L ("Tritium Software"), a company based in Spain, for a total consideration of £32m. Tritium Software provides a cloud-native, mobile workforce management solution for field-based sales teams through its main product, ForceManager. Due to the timing of the acquisition being after 30 September 2024, the results of Tritium Software are not included in our financial statements for the year ended 30 September 2024 and the acquisition accounting has not yet been completed. In line with IFRS 3, the purchase price accounting for the acquisition will be finalised within 12 months of the acquisition date.

On 19 November 2024, The Sage Group plc approved a share buyback programme of its ordinary shares of up to £400m, which is expected to commence on 20 November 2024, and end no later than 3 June 2025.

Managing Risk

Through our risk process, Sage is able to effectively manage our strategic, operational, commercial, compliance, change and emerging risks. This helps us to deliver our strategic objectives and goals through risk informed decisions. The Board's role is to maintain oversight of the key principal and business risks, together with ensuring that the appropriate committees are managing the risks effectively. Additionally, the Board reviews the effectiveness of our risk management approach and challenges our leaders to articulate their risk management strategies.

Sage continually assesses its principal risks to ensure alignment to our strategy and consideration of where Sage is currently on its journey to creating the world's most trusted, thriving network for SMBs, powered by Sage Copilot. In Q4 FY24, the number of Principal Risks was reduced from twelve to ten. The reason for the change was to ensure Management and Board focus is on the most important areas and that accountabilities for risk ownership are clearer. Two of the customer-centred Principal Risks were consolidated into a single Principal Risk, a Principal Risk related to reliance on third parties was removed as a standalone Principal Risk but its sub-risks were reallocated to other Principal Risks, and the Principal Risk relating to Sage's Data Strategy was changed in scope to also encompass AI and data privacy risks.

By monitoring risk and performance indicators related to this strategy, principal risk owners focus on those metrics that signal current performance, as well as any emerging risks and issues. The management and mitigation actions described below reflect the principal risks and build on those actions previously reported in the Annual Report and Accounts 2024.

Key—Stakeholder groups				
Colleagues	Customers	Society	Shareholders	Partners
Risk exposure change				
Stable	Decreasing	Increasing		

Principal Risk	**Risk Connect**	**Management and mitigation**
1. Customer experience If we fail to deliver ongoing value to our customers by focusing on their needs over the lifetime of their customer journey, we will not be able to achieve sustainable growth through renewal. **Trend** Stable **Stakeholder alignment** Customers, Partners, Colleagues, Shareholders **Link to viability scenario** Data breach Existing or new market disruptor Global economic shock Cloud operations failure	We must maintain a sharp focus on the relationship we have with our customers, constantly offering the products, services and experiences they need for success. If we meet or exceed their expectations, customers will stay with Sage, increasing their lifetime value, and becoming our greatest advocates. By aligning our people processes and technology with this focus in mind, all Sage colleagues can help our customers be successful and in turn improve financial performance.	• Brand-health surveys to provide an understanding of the customer perception of the Sage brand and its products, used to inform and enhance our market offerings. • A Market and Competitive Intelligence team to provide insights that Sage uses to win in the market. • Proactive analysis of customer activity and churn data, to improve customer experience. • Customer Advisory Boards, Customer Design Sessions, and closed-loop feedback to constantly gather information on customer needs. • Customer-journey mapping to ensure appropriate strategy alignment and alignment to Target Operating Model. • "Customer for life" roadmaps, detailing how products can fit together, any interdependencies, and migration pathways for current and potential customers. • Continuous Net Promoter Score (NPS) surveying allows us to identify customer challenges rapidly and respond in a timely manner to emerging trends. • Sage Membership offered to all customers, providing customers with access to curated resources, tools, and a connected community of business leaders.

Principal Risk	Risk Connect	Management and mitigation
2. Execution of product strategy If we fail to deliver the capabilities and experiences outlined in our product strategy, we will not meet the needs of our customers or commercial goals. **Trend** **Stakeholder alignment** **Link to viability scenario** Existing or new market disruptor Global economic shock Cloud operations failure	Sage needs to continuously adapt its approach to new technologies and challenges. This needs to be underpinned by a clear direction and guardrails through the product strategy to support of the go to market offerings, ensuring Sage simplifies its product offering and partners with the right business to enhance our solutions.	• A robust product organisation supported by a governance model to enable the way we build products. • Migration framework in key countries to support our customers as they move to the cloud. • Continued expansion of Sage Intacct outside of North America and for additional product verticals. • Enhancing accessibility of Sage cloud products to WCAG 2.1 AA standard by the end of 2025. • A strong focus on accountants through a tailored Sage for Accountants proposition. • A new partnership with Amazon Web Services (AWS) to develop domain-specific accounting and compliance focused Large Language Model (LLM). • Acquisition of Bridgetown Software to strengthen Sage's Construction and Real Estate portfolio. • AI developments through the announcement and launch of Sage Copilot AI-powered productivity assistant into existing Sage products during the year, and partnership with AWS to launch the first domain- specific accounting Large Language Model (LLM).
3. Developing and exploiting new business models Sage is unable to develop, commercialise and scale new business models to diversify from traditional Software as a Service (SaaS), especially consumption-based services and those which leverage data. **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Existing or new market disruptor Global economic shock Cloud operations failure	Sage must be able to identify, design and deploy new innovations to create new or enhance existing products and capabilities. Unlocking the ability to do this at pace will enable access to new markets and/or customers early, driving new revenue and opportunities for the business.	• A business unit solely focused on scaling the Sage Network. • Continued digitalisation and automation of Sage products through Sage Network and AI services. • Enhanced, consistent digital experience for all Sage Business Cloud users through the Sage Experience Platform. • A Venture Studios team asked to assess new business models that may align with the Sage vision • Expansion of Sage's Fintech and Payments ecosystem through partnership with Stripe to simplify cashflow management for SMBs. • Managed growth of the API estate, including enhanced product development that enables access by third- party API developers and optimisation of API integrations to improve efficiency. • Sage Developer platform announced at Transform 2024 to expand developer community.

Principal Risk	Risk Connect	Management and mitigation
4. Route to market If we fail to deliver a globally consistent blend of route to market channels in each market, Sage will miss the opportunity to efficiently deliver the right capabilities and experiences to our current and future customers. **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Existing or new market disruptor Global economic shock Cloud operations failure	We have a blend of channels to communicate with our current and potential customers and ensure our customers receive the right information, on the right products and services, at the right time. Our sales channels include selling directly to customers through digital and telephone channels, via our accountant network and through partners, and we will adapt our approach to target customers in our key verticals. We use these channels to maximise our marketing and customer engagement activities. This can shorten our sales cycle and ensure we improve customer retention, maximising our market opportunity.	• Chief Growth Officer and Chief Commercial Officer appointments to demonstrate Sage's commitment to serve SMBs on a global and consistent basis. • A specific Onboarding Squad enhances user journeys to enable customer conversion. • Acceleration of new partnerships to support the Sage Network. • Centre of Excellence to support our indirect sales and third-party approach. • Expansion of relationship with AWS to elevate sustainability for SMBs through the introduction of Sage Earth to the AWS marketplace.
5. People and performance If we fail to ensure we have engaged colleagues with the critical skills, capabilities and capacity we need to deliver on our strategy, we will not be successful. **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Global economic shock	As we evolve our priorities, the capacity, knowledge, and leadership skills we need will continue to change. Sage will not only need to attract the right talent to navigate change, but will also need to provide an environment where colleagues can develop to meet these new expectations. By empowering colleagues and leaders to make decisions be innovative and be bold in meeting our commitments Sage will be able to create an attractive working environment. By addressing what causes colleague voluntary attrition and embracing the values of successful colleague engagement and create aligned high-performing teams.	• Extensive focus on hiring channels to ensure we are attractive in the market through our enhanced employee value proposition and enhanced presence through social media such as Glassdoor, Comparably, Twitter, LinkedIn, and Facebook. • Reward mechanisms designed to incentivise and encourage the right behaviour, with a focus on ensuring fair and equitable pay in all markets. • A series of Learning Academies and talent programmes to support the development of internal talent including sponsorship programmes, and new Director, graduate, and apprentice programmes. • An OKR framework to define measurable goals and track outcomes of colleague success. • Talent Marketplace solution to support identification of capabilities and gaps, talent pipeline, development and career pathways, and mentoring. • Strategic Workforce Planning Framework across the business.

Principal Risk	Risk Connect	Management and mitigation
6. Culture If we do not define, shape and proactively manage our culture in line with our brand values, we will be challenged to deliver our strategic priorities and purpose; we will risk disengaging colleagues, increasing attrition and impacting our ability to attract and retain diverse talent. **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Global economic shock	The development of a shared behavioural competency that encourages colleagues to always do the right thing, put customers at the heart of business, and improve innovation is critical in Sage's success. Devolution of decision making, and the acceptance of accountability for those decisions, will need to go hand in hand as the organisation develops and sustains its shared Values and Behaviours, and fosters a culture that provides customers with a rich digital environment. Sage will also need to create a culture of empowered leaders that supports the development of ideas, and that provides colleagues with a safe environment allowing for honest disclosures and discussions. Such a trusting and empowered environment can help sustain innovation, enhance customer success, and encourage the engagement that results in increased market share.	• Integration of Values and Behaviours into all colleague priorities including talent attraction, selection, and onboarding as well as OKRs. • All colleagues are encouraged to take up to five paid Sage Foundation days each year, to support charities and provide philanthropic support to the community. • A DEI strategy focused on building diverse teams, an equitable culture, and fostering inclusive leadership. This is supported by measurable plans and metrics to track progress, ensuring Sage meets its commitments, including no tolerance of discrimination, equal chances for everyone, an inclusive culture, removing barriers, and DEI education. • Code of Conduct training for all colleagues (including anti-bribery and corruption requirements) delivered as snippets, allowing Sage to signpost relevant training at colleagues' point of need. • Core e-learning modules rolled out across Sage, with regular refresher training. • Whistleblowing and incident-reporting mechanisms in place to allow issues to be formally reported and investigated. • New training aimed at colleagues with responsibilities for managing people to explain what high performance culture means at Sage and provide tools and techniques to help embed this culture across the business.
7. Cyber security If we fail to ensure an appropriate standard of cyber security across the business, we will not be able to combat cyber threats and will fail to meet our regulatory obligations and lose the trust of our stakeholders. **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Cloud operations failure	Stakeholder trust is central to Sage's growth and cyber security is an essential component of that. Failure to safeguard customer and colleague data and ensure the availability of our products and critical services could have severe reputational, legal and financial consequences. This means we must be confident our cyber security controls and the culture and awareness of our colleagues are sufficient to mitigate the dynamic and evolving cyber risk environment, while also supporting the agility and innovation of the business.	• Multi-year cyber security programmes in IT and Product to ensure Sage is continuously improving, and reduce cyber risk across technology, business processes, and culture. • Accountability within both IT and Product for all internal and external data being processed by Sage. The Chief Information Security Officer oversees information security, with a network of Information Security Officers that directly support the business. • Formal certification schemes maintained across the business include internal and external validation of compliance. • All colleagues are required to undertake awareness training for cyber security and information management. • A Cyber Security Risk Management Methodology and standards are deployed to provide clear requirements and objective risk information on our assets and systems. • A Trust and Security Hub and publication of Cyber security for SMBs report to support our customers and their understanding of cyber security in Sage products.

Principal Risk	Risk Connect	Management and mitigation
8. Data and AI governance If Sage fails to collect, process, store and use data in a way which is compliant with regulation, internal policy and our ethical principles we will lose the trust of our stakeholders. If we fail to recognise the value of our data and deliver effective data foundations, we will be unable to realise the full potential of our data assets. **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Existing or new market disruptor	Data is central to the Sage strategy and our ambition to deliver sustainable growth by leveraging AI and expanding the Sage Network. The strategy is underpinned by our ability to innovate customer propositions, improve insight and decision making, and create new business models and ecosystems. Successful ability to use data will accelerate our growth and will be key in helping customers transform how they run and build their businesses and Sage must do this in a way which is compliant with laws, regulations and in line with our values.	• Published AI and Data Ethics Principles to ensure we use customer data responsibly to achieve our strategy and an ethics checklist, assessing adherence to principles. • Governance policies, processes and tooling to enhance and manage the quality and trust in our data. • The implementation of data architecture and associated data models that facilitate data sharing and utilisation. • A Sustainability, AI and Data Ethics Committee, which includes members from the Executive Leadership Team and Sage Board, governing activities relating to data and AI ethics. • All colleagues are required to undertake awareness training for data protection, with a focus on all relevant data privacy laws and regulations. • A Trust and Security Hub to support our customers and their understanding of cyber security, data privacy, and AI and data ethics in Sage products.
9. Readiness to scale As Sage's ambition grows, if it fails to ensure its cloud products can build and operate at an industrial, global scale it will erode its competitive advantage. The hosting of its products must achieve economies of scale, aligned to ambition, in parallel with the ability to accelerate to market with quality. Both must be achieved with reduced environmental impact and zero customer impact. If not addressed, Sage's cloud products would be less resilient and less able to respond to its customer expectations. **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Cloud operations failure	As Sage continues to build sustainable growth, we continue to focus on scaling our current and future platform-services environment in a rigorous, agile, and speedy manner to ensure we provide a consistent and healthy cloud platform and associated network. Sage must provide the right infrastructure and operations for all customer products, a hosting platform together with the governance to ensure optimal service availability, performance, security protection, and restoration (if required).	• Cost optimisation of cloud-native products and continued migration of legacy footprint to public cloud. • Accountability across product owners, underpinned by ongoing risk assessments and continuous improvement projects. • Formal onboarding process through ongoing portfolio management. • Incident and problem management change processes adhered to for all products and services, with new acquisitions onboarded in less than 90 days. • Service-level objectives including uptime, responsiveness, and mean time to repair. • Defined real-time demand-management processes and controls, and also disaster-recovery capability and operational-resilience models. • A governance framework to optimise operational cost base in line with key metrics. • All new acquisitions are required to adopt Sage cloud operation standards.

Principal Risk	Risk Connect	Management and mitigation
10. Environmental, social, and governance If Sage is unable to respond to evolving stakeholder expectations and ESG regulation, Sage could face fines and potential legal action, damaging Sage's reputation and brand, and diminishing stakeholder trust and credibility. In addition, if Sage fails to respond to the range of opportunities and risks associated with Sustainability and Sage Foundation, it would be less resilient, less competitive, and could put its licence to operate at risk. **Trend** **Stakeholder alignment** **Link to viability scenario** Global economic shock Cloud operations failure	We invest in education, technology, and the environment to give individuals, SMBs, and our planet the opportunity to thrive. Internally, it is essential that Sage understands the potential impact of climate change on its strategy and operations and considers appropriate mitigations. Societal and governance-related issues are integral to Sage's purpose and Values and to the achievement of Sage's strategy. You can read more about the work we are doing on ESG in the Sustainability and Society Report.	• Sage's Sustainability and Society strategy, informed by a rigorous materiality assessment, focusing on three pillars: Protect the Planet, Tech for Good, and Human by Design. • Ensuring adequate executive oversight through the Sustainability, AI and Data Ethics Committee. • Enabling accountability through integration on ESG measures within long-term incentive plans. • An integrated framework for the management of ESG-related risk and, in particular, physical and transitional climate risks, as detailed by TCFD. • External limited assurance obtained over selected metrics to ensure accuracy of sustainability data and claims.