

Good operational progress – on track to meet 2015 targets



The Sage Group plc

Results for the six months ended
31 March 2015



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Stephen Kelly
Chief Executive Officer



A good first half performance, with additional momentum from some one-offs



6%

Organic revenue growth

8%

Organic recurring revenue growth

73%

Organic recurring revenue

29%

Organic software subscription revenue growth

28%

Organic operating profit margin

16%

Underlying basic EPS growth

On track to deliver 2015 financial targets

8% organic recurring
revenue growth
underpins confidence...

...but much work ahead

Steve Hare
Chief Financial Officer



H1 2015 overview



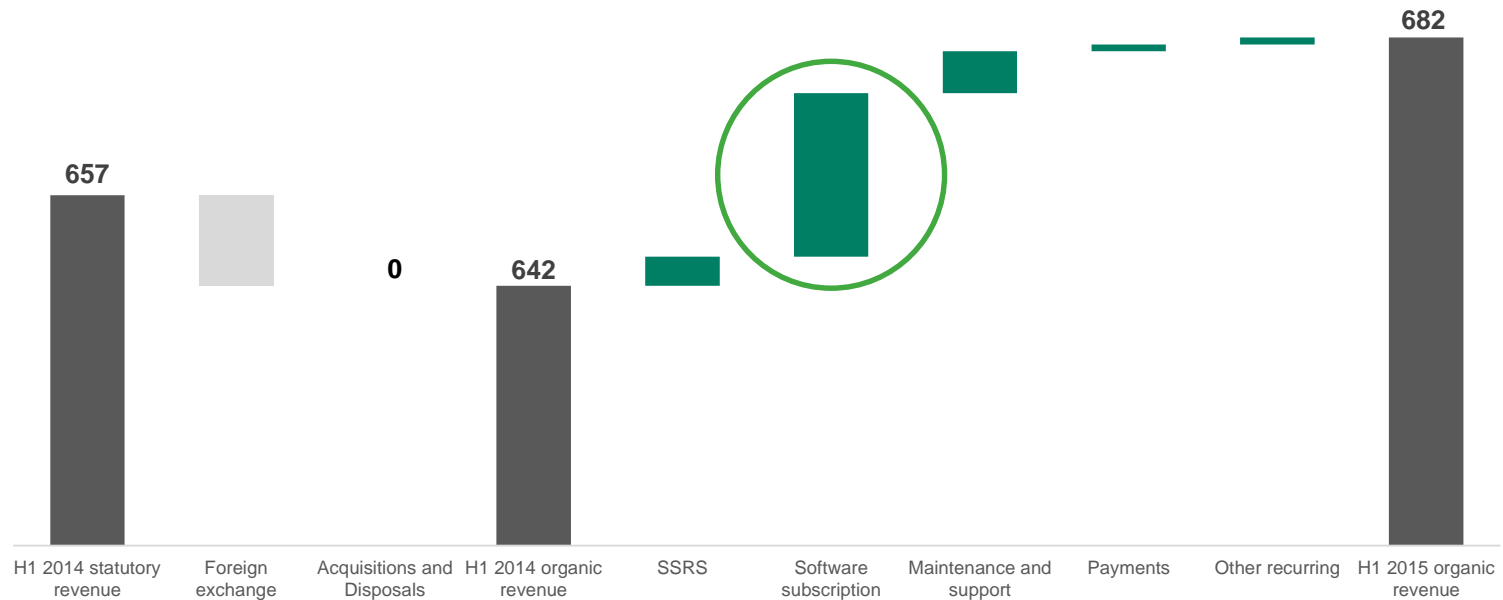
	H1 2015	H1 2014	Change
Organic revenue	£682m	£642m	+6%
Organic operating profit	£192m	£176m	+9%
<i>Margin %</i>	28.1%	27.4%	+70bps
<hr/>			
Underlying profit before tax	£182m	£167m	+9%
Tax charge	(£45m)	(£47m)	-3%
Profit for the period	£136m	£119m	+14%
<hr/>			
Underlying earnings per share	12.66p	10.88p	+16%
Dividend per share	4.45p	4.12p	+8%

Revenue growth

Software subscription the primary driver



Key organic revenue growth movements H1 2014 to H1 2015

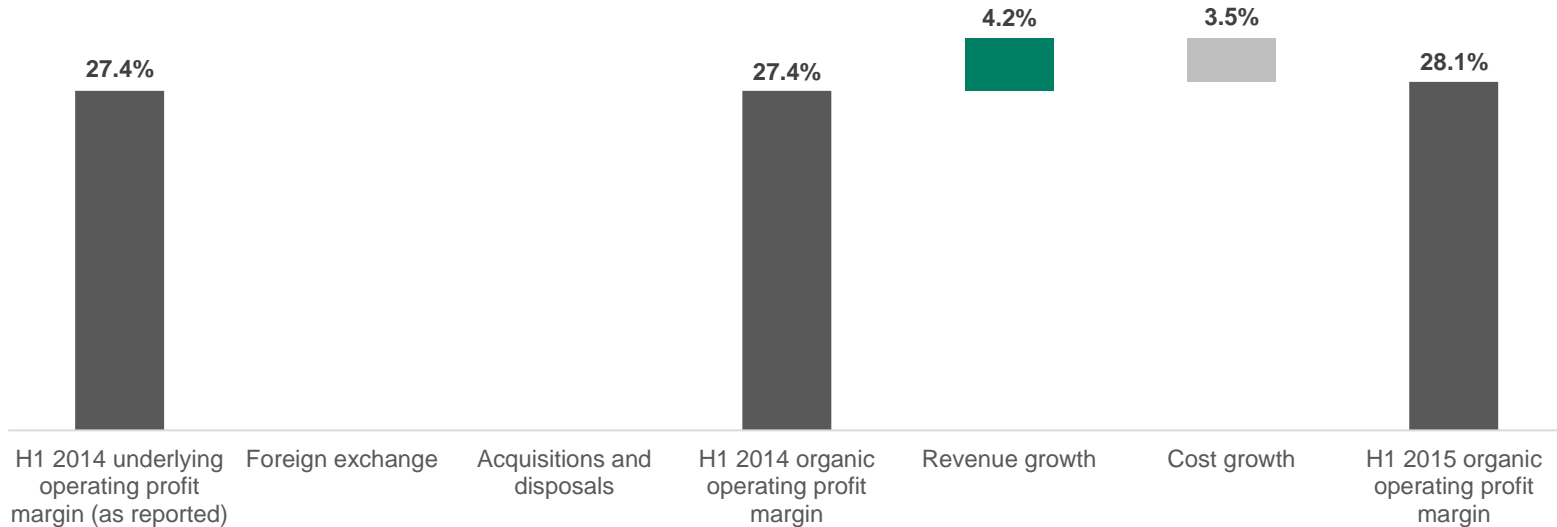


Group operating profit margin

On track to meet the 28% target



70bps increase in organic margin reflects improved operating leverage



Europe

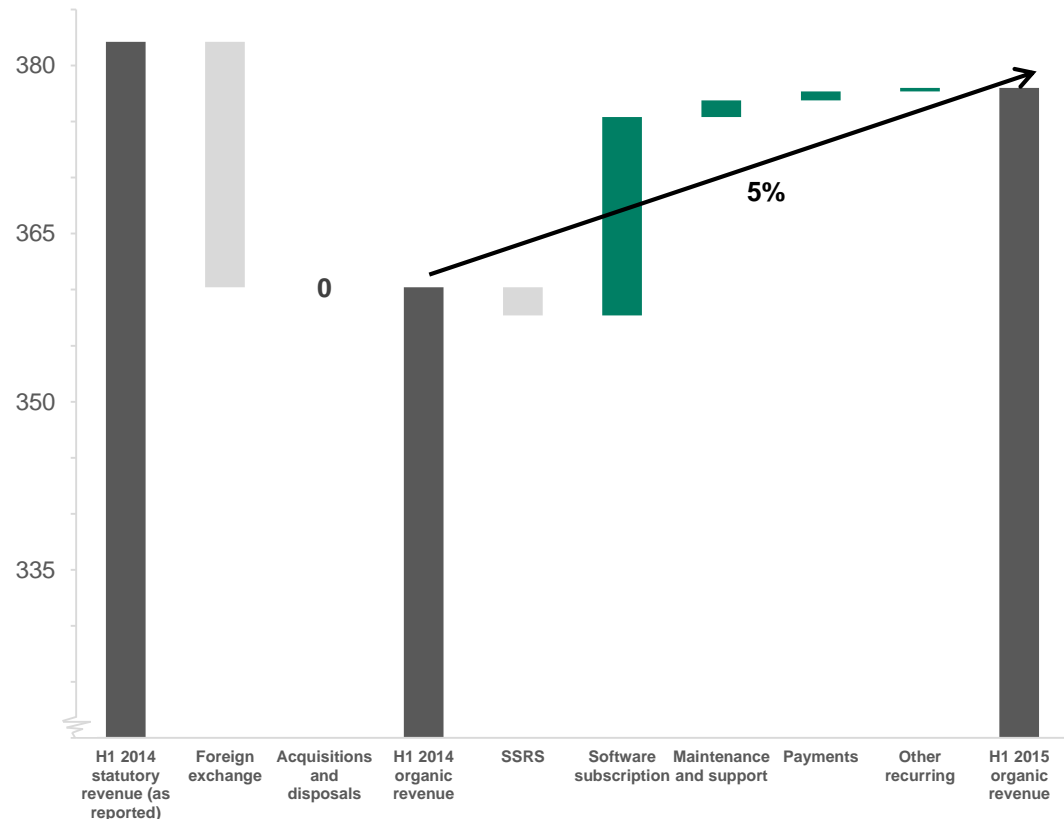
A good performance driven by subscription



Regional highlights

- Increase in organic revenue growth to 5% (H1 2014: 3%)
- 8% organic recurring revenue growth (H1 2014: 6%) underpins performance
- France and UKI primary drivers, led by subscription initiatives
- Europe Enterprise remained weak, particularly in France
- Sage Pay growth boosted by non-recurring hardware sales

Revenue bridge (£m)



Americas

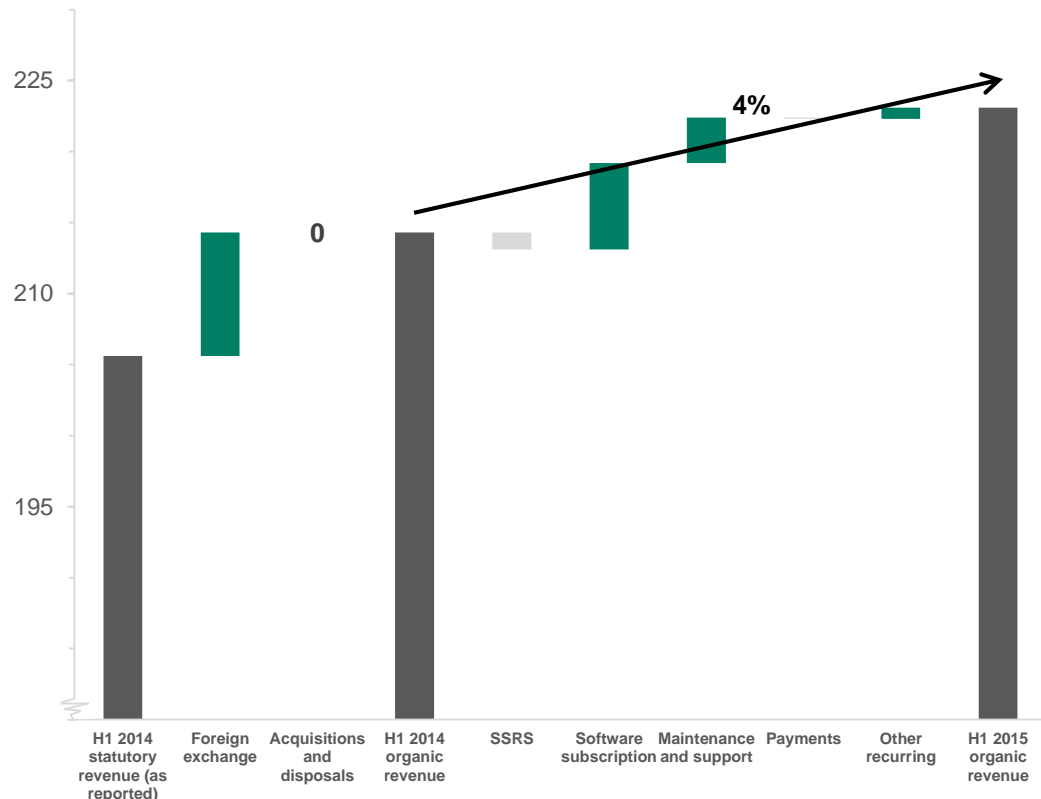
Slower growth, reflecting mixed performance



Regional highlights

- **Americas organic revenue growth of 4% (H1 2014: 6%)**
- **North America organic revenue growth of 4% (H1 2014: 6%) reflects mixed performance**
 - weakness in payments and SMB*
 - offset by encouraging performances in Enterprise and SSB*
- **Brazil organic revenue growth of 8% (H1 2014: 9%), despite the challenging wider economy**

Revenue bridge (£m)



May not cast precisely due to rounding

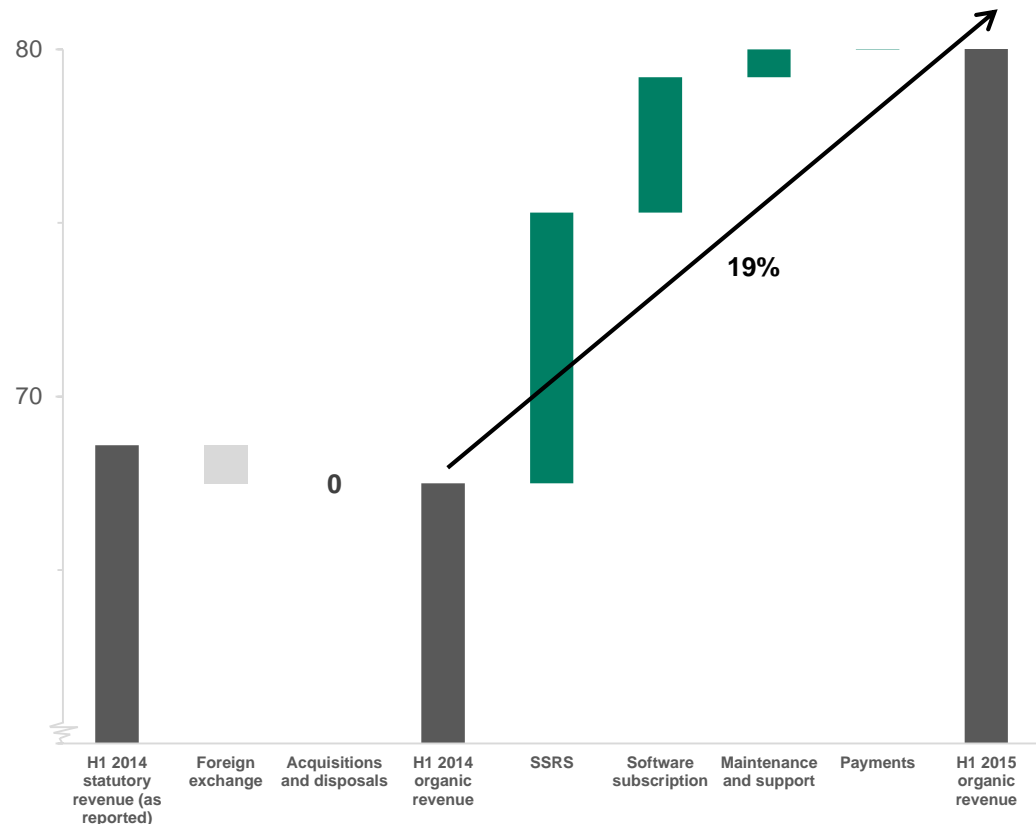
*Start-up and small businesses ("SSB"), Small and medium sized businesses ("SMB")

One-off sales in Malaysia support continued strength in South Africa

Regional highlights

- AAMEA organic revenue growth of 19% (H1 2014: 12%) inflated by one-off software sales in Malaysia
- South Africa maintained strong double digit organic revenue growth of 16% (H1 2014: 16%), driven by the Enterprise market
- Growth of over 30% in Sage X3 across Africa
- 5% organic revenue growth maintained in Australia (H1 2014: 5%)

Revenue bridge (£m)

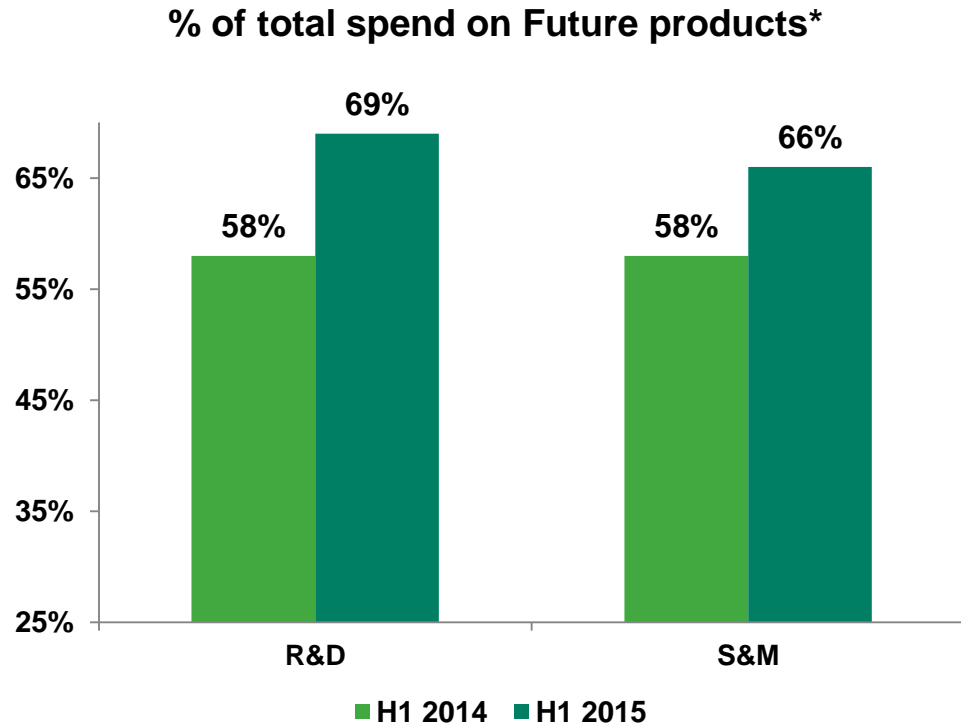


Resource and capital allocation

Investing in our best growth opportunities



- R&D and S&M reallocation towards Future product portfolio has continued:
 - 27% increase in R&D and S&M spend on Future products versus prior period



*Graph on an organic basis, excluding acquisitions, disposals and products held for sale. Reported H1 2014 Future (Invest) percentages were: R&D – 58%; S&M – 59%

Cash flow

Strong cash generation continues



	£m		£m		£m
Underlying operating profit (A)	193	Underlying cash flow from operating activities	216	Opening net debt 1 October 2014	(437)
Depreciation / amortisation/impairment	15	Net interest	(10)	FCF	165
Share-based payments	5	Taxation	(60)	M&A	(98)
Working capital change	15	Exchange rate translation movements	20	Share buy-back	(16)
Net capital expenditure	(11)	Non-recurring cash items	(1)	Ordinary dividends	(86)
				Exchange differences	(39)
Underlying cash flow from operating activities (B)	216	Free cash flow ("FCF")	165	Closing net debt 31 March 2015	(510)

Underlying cash conversion (B / A) **112%**

Interest cover* **16x**

Net debt/EBITDA* **1.2x**

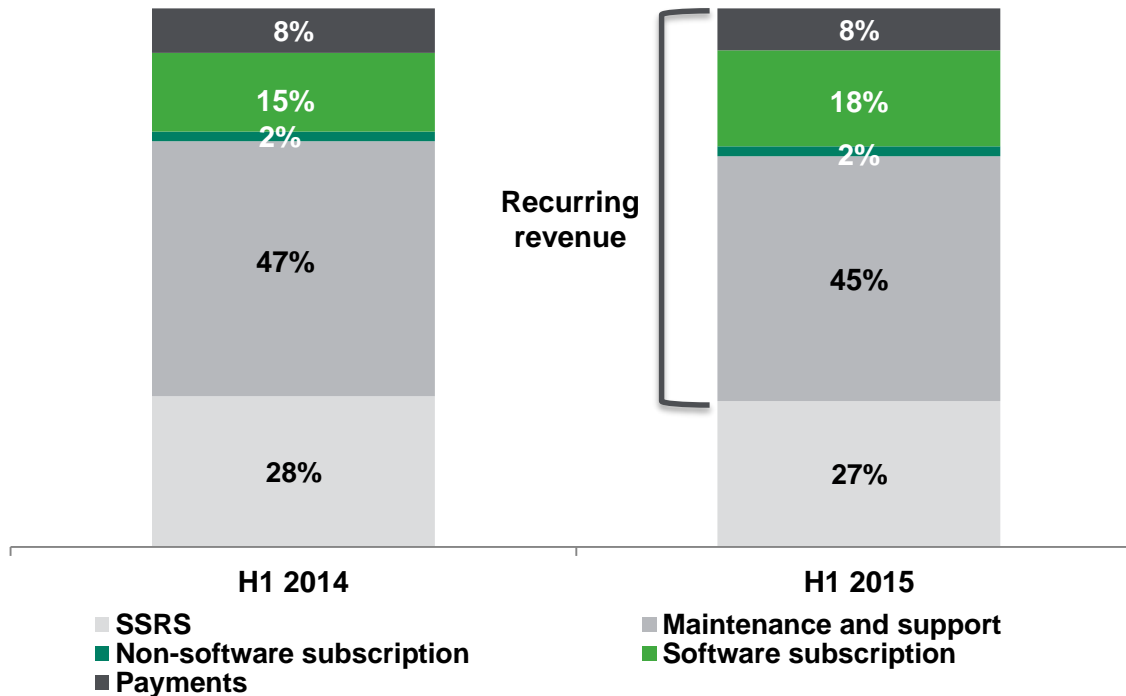
May not cast precisely due to rounding
 *Both metrics are calculated on a last-twelve-month rolling basis

The move to subscription

Progressive move to subscription continues to grow the recurring revenue base



Organic revenue split by type



18%
of revenue is
software
subscription

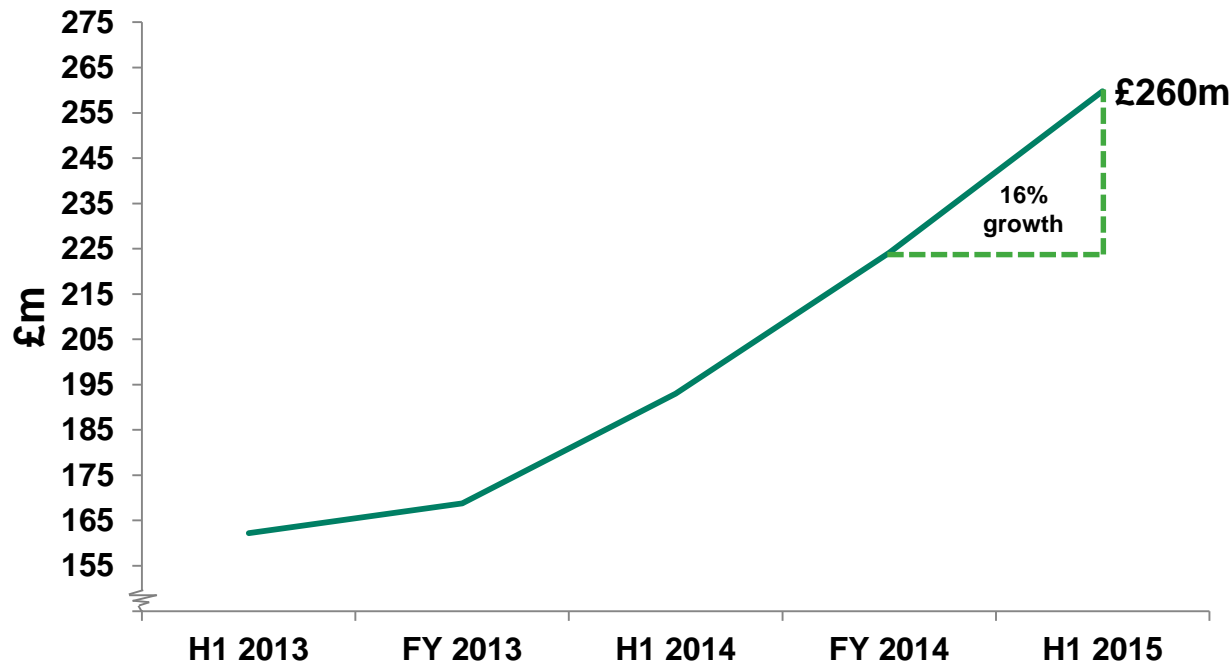
73%
of total
revenue is
recurring

The move to subscription

Building a higher quality revenue base for the future



Organic annualised value of software subscriber base



Over
550,000
software
subscription
contracts

ca.90%
renewal
rate for
subscription
contracts

Stephen Kelly

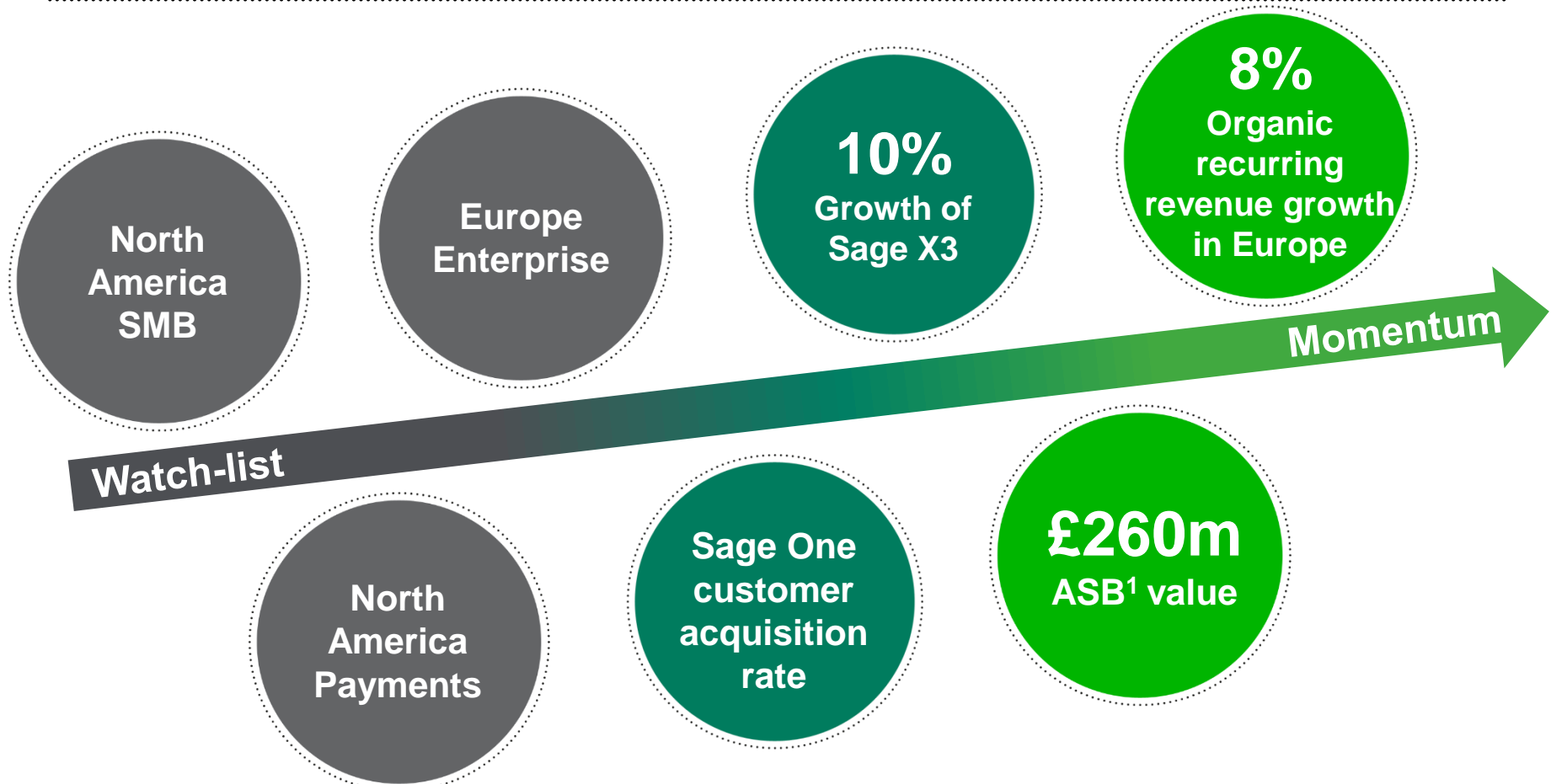
Looking ahead



Scorecard

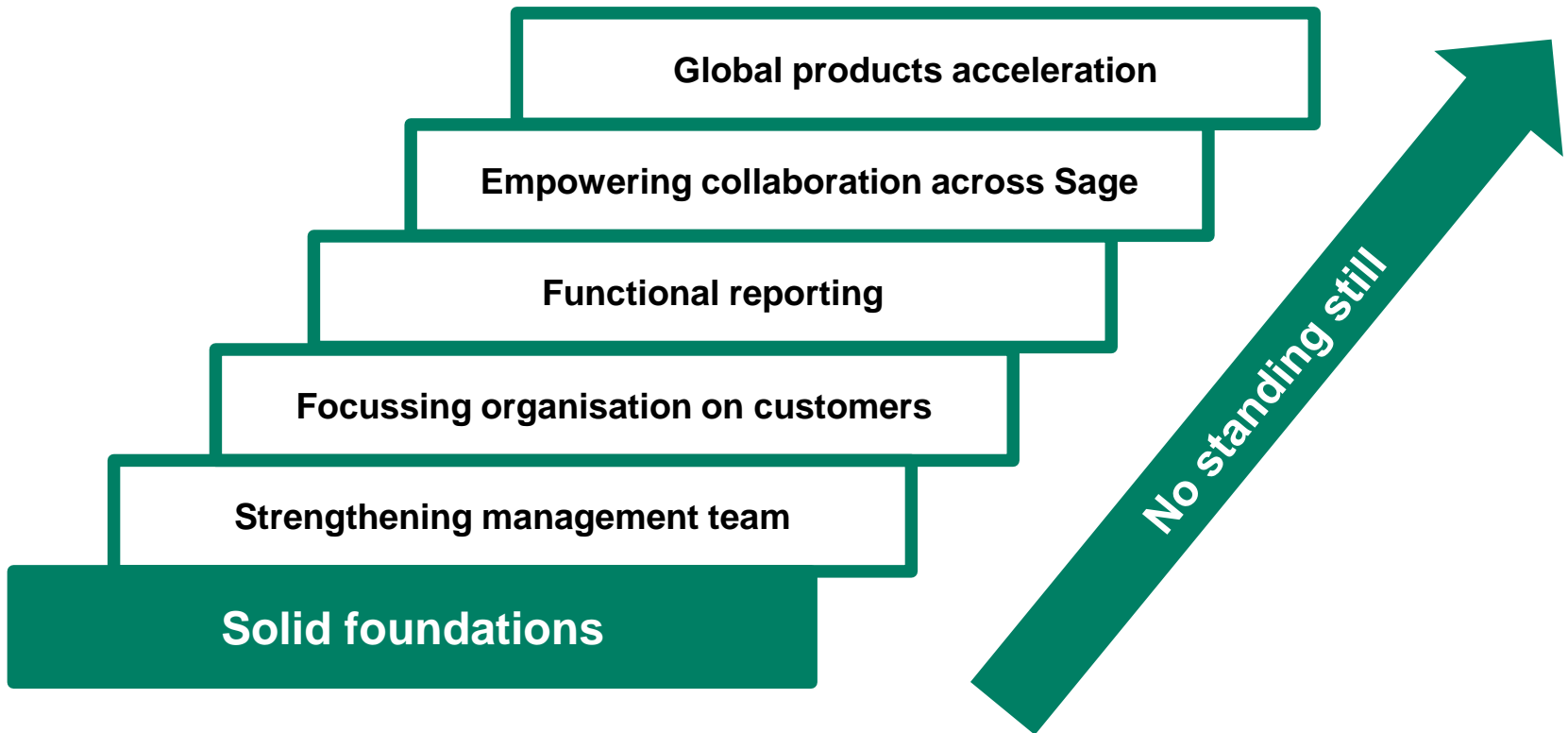


Good progress but much work to do



¹Annualised subscriber base

6 month progress



-
- **Confidence in FY15 targets**
 - **Improving the quality of revenue growth**
 - **Managing operational risks as we drive business improvements**

Invitation

Join us at our capital markets day



24 June 2015

Questions?

Segmental analysis

Period ended 31 March 2015



	Europe	Americas	AAMEA	Group
Organic recurring revenue	£272m	£184m	£44m	£499m
Organic SSRS revenue	£106m	£40m	£37m	£183m
Total organic revenue	£378m	£223m	£81m	£682m
Organic revenue growth	+5%	+4%	+19%	+6%

	Europe	Americas	AAMEA	Group
Opening contracts at 1 October 2014	1,061,000	550,000	201,000	1,812,000
Net new contracts	39,000	(20,000)	26,000	45,000
Closing contracts at 31 March 2015	1,100,000	530,000	227,000	1,857,000

Strategic KPIs



KPI	Measure	H1 2015	FY 2014	H1 2014
Focusing our business				
Resource optimisation	R&D %: split by 'Future':'Growth':'Heritage'	69:28:03	62:35:03	58:38:04
	S&M %: split by 'Future':'Growth':'Heritage'	66:32:02	57:39:04	59:38:03
Capturing the technology opportunity				
Adoption of cloud products	Number of Sage One paying subscriptions*	115,000	86,000	59,000
	Number of hybrid cloud paying subscriptions	2,400	1,500	850
Enterprise market	Sage X3 organic revenue growth	10%	7%	7%
Integration of payments	Number of customers adopting integrated payments solutions	16,600	15,800	15,200
The benefits of subscription				
Customer adoption	Organic annualised value of the software subscriber base	£260m	£224m	£193m
Customer loyalty				
Recurring contract renewal rate	Number of contracts successfully renewed as a percentage of those due for renewal	84%	83%	83%

**Following the incorporation of several existing SaaS products in Germany, France and South Africa into the Sage One portfolio during the prior year, Sage One paying subscriptions have been restated on a like-for-like basis. Without the restatement, Sage One paying subscriptions at 31 March 2015 were 76,000 (30 September 2014: 52,600, 31 March 2014: 35,000)*

Financial KPIs



KPI	H1 2015	FY 2014	H1 2014
Organic revenue growth	6.2%	4.9%	4.9%
Organic operating profit margin	28.1%	27.5%	27.4%
Underlying basic earnings per share growth	16.4%	8.2%	8.3%
Underlying cash conversion*	112%	102%	109%
Net debt leverage	1.2:1	1.1:1	0.9:1
Interest cover	16x	17x	19x

**Underlying cash conversion is underlying cash flow from operating activities divided by underlying operating profit. Underlying cash flow from operating activities is statutory cash flow from operating activities less net capital expenditure, adjusted for movements on foreign exchange rates and non-recurring cash items. In prior periods, underlying cash flow from operating activities was calculated before net capital expenditure and included movements on foreign exchange, which would have shown underlying cash conversion of 129% in H1 2015 (FY 2014: 107%, H1 2014: 110%).*

Non-GAAP measures



Measure	Description	Why we use it
Underlying	<p>Prior period underlying measures are retranslated at the current year exchange rates to neutralise the effect of currency fluctuations.</p> <p>Underlying operating profit excludes:</p> <ul style="list-style-type: none"> - Recurring items: <ul style="list-style-type: none"> · Amortisation of acquired intangible assets; · Acquisition-related items; · Fair value adjustments on non-debt-related financial instruments; and - Non-recurring items that management judge are one-off or non-operational <p>Underlying profit before tax excludes:</p> <ul style="list-style-type: none"> - All the items above; - Imputed interest; and - Fair value adjustments on debt-related financial instruments. <p>Underlying profit after tax and earnings per share excludes:</p> <ul style="list-style-type: none"> - All the items above net of tax. 	<p>Underlying measures allow management and investors to compare performance without the potentially distorting effects of foreign exchange movements, one-off items or non-operational items.</p> <p>By including part-period contributions from acquisitions, disposals and products held for sale in the current and/or prior periods, the impact of M&A decisions on earnings per share growth can be evaluated.</p>
Organic	In addition to the adjustments made for underlying measures, organic measures exclude the contribution from acquisitions, disposals and products held for sale in the current and prior period.	Organic measures allow management and investors to understand the like-for-like performance of the business.
Underlying cash conversion	Underlying cash conversion is underlying cash flow from operating activities divided by underlying operating profit. Underlying cash flow from operating activities is statutory cash flow from operating activities less net capital expenditure and adjusted for movements on foreign exchange rates and non-recurring cash items.	Underlying cash conversion informs management and investors about the cash operating cycle of the business and how efficiently operating profit is turned into cash.
Underlying (as reported)	Where prior period underlying measures are included without retranslation at current period exchange rates, they are labelled as underlying (as reported).	This measure is used to report comparative figures for external reporting purposes where it would not be appropriate to retranslate. For instance, on the face of primary financial statements.