Stephen Kelly
Chief Executive Officer

Agenda:
• Summary
• CFO review
• Progress
• Outlook
• Q&A
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Summary

- Encouraging H1 Results
- Delivering Transformation
- Momentum Building
- Relentless Execution
## Financial progress

<table>
<thead>
<tr>
<th></th>
<th>H116</th>
<th>H115</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic revenue</strong></td>
<td>£747m</td>
<td>£703m</td>
<td>+6.2%</td>
</tr>
<tr>
<td><strong>Organic operating profit</strong></td>
<td>£189m</td>
<td>£186m</td>
<td>+1.9%</td>
</tr>
<tr>
<td><strong>Margin %</strong></td>
<td>25.4%</td>
<td>26.4%</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying EPS</strong></td>
<td>12.09p</td>
<td>12.28p</td>
<td>-1.5%</td>
</tr>
<tr>
<td><strong>Non-recurring items</strong></td>
<td>(£29m)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Recurring items</strong></td>
<td>(£8m)</td>
<td>(£10m)</td>
<td>-16.7%</td>
</tr>
<tr>
<td><strong>Difference between 2015 and 2016 FX rates</strong></td>
<td></td>
<td>£3m</td>
<td></td>
</tr>
<tr>
<td><strong>Statutory Operating Profit</strong></td>
<td>£152m</td>
<td>£179m</td>
<td>-15.1%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount</td>
<td>Category</td>
<td>Amount</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>---------</td>
<td>----------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Underlying operating profit</td>
<td>£189m</td>
<td>Underlying cash flow from operating activities</td>
<td>£210m</td>
</tr>
<tr>
<td>Depreciation/Amortisation</td>
<td>£15m</td>
<td>Interest</td>
<td>(£9m)</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>£6m</td>
<td>Tax paid</td>
<td>(£48m)</td>
</tr>
<tr>
<td>Working and Capital and other balance sheet</td>
<td>£15m</td>
<td>Unrealised FX differences</td>
<td>£1m</td>
</tr>
<tr>
<td>Net CAPEX</td>
<td>(£15m)</td>
<td>Exceptional costs</td>
<td>(£12m)</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>£210m</td>
<td>Free cash flow</td>
<td>£142m</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>£142m</td>
<td>M&amp;A (deferred)</td>
<td>(£6m)</td>
</tr>
<tr>
<td>Net share purchases</td>
<td>(£1m)</td>
<td>Ordinary dividends</td>
<td>(£93m)</td>
</tr>
<tr>
<td>Exchange movement on debt</td>
<td>(£19m)</td>
<td>Other</td>
<td>(£2m)</td>
</tr>
<tr>
<td>Closing net debt</td>
<td>£404m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Strong cash metrics**

- Underlying operating profit: £189m
- Underlying cash flow from operating activities: £210m
- Free cash flow: £142m
- Opening net debt: £425m
- Closing net debt: £404m
Revenue categories

H1 15
- Software subscription
- Other recurring
- Processing
- SSRS

H1 16
- Software subscription
- Other recurring
- Processing
- SSRS

+35%
+10%
+7%
-6%
Software subscriber growth

Growth in ASB of £74m to £425m over last 6 months
Regional overview
Europe

What went well

Subscription momentum increased
- ASB growth of £17m across Sage 50, driven by cloud
- Take up of auto enrolment modules up 50%

Enterprise Europe: 5% growth

Focus

Cross-sell supporting the golden triangle
Delivering improvements in Rest of Europe (Switzerland, Poland)

Recurring Mix 75%
H1 15: 74%

<table>
<thead>
<tr>
<th>Revenue</th>
<th>H1 16</th>
<th>H1 15</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>301</td>
<td>276</td>
<td>+9%</td>
</tr>
<tr>
<td>Processing</td>
<td>17</td>
<td>16</td>
<td>+9%</td>
</tr>
<tr>
<td>SSRS</td>
<td>80</td>
<td>81</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>398</strong></td>
<td><strong>373</strong></td>
<td><strong>+7%</strong></td>
</tr>
</tbody>
</table>
North America

What went well

- c.100% software subscription growth
- 25,000 additional subscriptions for Sage 50
- 35% increase in Payroll supported by 1,800 additional customers

Focus

Payments returned to growth but acceleration of cross-sell required
Launches of Sage 100C and 300C
X3 growth

Recurring Mix
57%
H1 15: 55%

<table>
<thead>
<tr>
<th>Revenue</th>
<th>H1 16</th>
<th>H1 15</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>146</td>
<td>134</td>
<td>+9%</td>
</tr>
<tr>
<td>Processing</td>
<td>76</td>
<td>72</td>
<td>+6%</td>
</tr>
<tr>
<td>SSRS</td>
<td>34</td>
<td>37</td>
<td>-9%</td>
</tr>
<tr>
<td>Total</td>
<td>256</td>
<td>242</td>
<td>+6%</td>
</tr>
</tbody>
</table>
International

What went well
Africa revenue growth of 17%
60%+ growth in Sage X3
Sage One recent launches
- Brazil – over 10,000 subscriptions reached
- Australia – over 1,000 subscriptions in peak month

Focus
Asia: Did not replace prior year non-repeating sales in Malaysia
Brazil: Non-software business

Recurring Mix
71%
H1 15: 64%

<table>
<thead>
<tr>
<th>Revenue</th>
<th>H1 16</th>
<th>H1 15</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>66</td>
<td>56</td>
<td>+17%</td>
</tr>
<tr>
<td>Processing</td>
<td>4</td>
<td>3</td>
<td>+12%</td>
</tr>
<tr>
<td>SSRS</td>
<td>23</td>
<td>29</td>
<td>-19%</td>
</tr>
<tr>
<td>Total</td>
<td>93</td>
<td>88</td>
<td>+5%</td>
</tr>
</tbody>
</table>
Capacity for growth

(Slide from 2 Dec 2015)

- 19% G&A baseline
- 139 sites
- £50m Annualised savings
- 2 year payback
### Capacity for growth

<table>
<thead>
<tr>
<th>Transformation</th>
<th>H1 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total exceptional cost*</td>
<td>(£31m)</td>
</tr>
<tr>
<td><strong>G&amp;A Opportunity</strong></td>
<td></td>
</tr>
<tr>
<td>Exceptional cost</td>
<td>(£22m)</td>
</tr>
<tr>
<td>Annual savings secured:</td>
<td></td>
</tr>
<tr>
<td>People</td>
<td>£12m</td>
</tr>
<tr>
<td>Facilities</td>
<td>£5m</td>
</tr>
<tr>
<td><strong>Total G&amp;A savings</strong></td>
<td>£17m</td>
</tr>
<tr>
<td>*Cash exceptional</td>
<td>(£12m)</td>
</tr>
</tbody>
</table>

**Total projected transformation cost for FY16 remains at c.£100m, including actions taken to secure c.£50m of annualised savings in G&A functions**
Summary

- Solid financial results
- Investing for accelerated growth
- Strong cash flows
From Invention to Re-imagination

PC Era

Sage invented business software for computers

Global reach | Tradition of innovation | Trusted
Progress

Customers for Life

One Sage

Winning in the Market

Capacity for Growth

Revolutionise Business
Momentum

- **10%** growth in recurring revenue, with **50%** growth in software subscription relationships

- **Sage X3** delivering value for customers:
  - **177%** Return on Investment
  - **5 month** payback

- Cross-sell in Africa: **26%** y-o-y increase between accounting and payroll
Momentum building

- **130%** increase in organic traffic to sage.com

- **17% Sage X3** revenue growth

- **Sage One** continued unit momentum

Global:

- **115k** adds
- **230k** subscriptions

New launches:

- **10,000** subscriptions
- **>1,000** adds in peak month
Momentum building

- Exclusive **Sage One** app on the iOS platform

- **Sage Marketplace** launched to provide partner apps: >50 and growing

- Innovations to be unveiled at **Sage Summit 2016**
Momentum building

• £50m of G&A savings

• Consistent systems – Sage X3 deployed within Sage

• New global digital marketing campaigns delivering c.2,000 incremental leads per week:
Momentum building

- Continuing to strengthen the breadth and quality of the management team:
  - New joiners to the top 100 leadership team

- People engagement through **Sage Foundation:**
  - 2,500 volunteer days donated

- Common induction experience for new talent and training available on **Sage Academy:**
  - 10,000 online training hours
• New cross-sell team established
• New leadership
• 7 new ISV partners in H1
• Modest return to growth of 2% YOY

Payments North America

• Rate of revenue growth nearly doubled to 5% in H1
• Launched Sage 100 Cloud and 300 Cloud
• Need to support partners with subscription transition

SMB North America

• Management team replaced – sales reintegrated
• Revenue decline reversed – 5% growth in H1
• Led by X3 which delivered over 300 wins in UK and France

Enterprise Europe
Outlook

Organic revenue growth at least 6%

Organic operating margin at least 27%

- Long-term sustainable growth
- Improving quality of the margin
- Constant focus on strong cash conversion
Summary

- Encouraging H1 Results
- Delivering Transformation
- Momentum Building
- Relentless Execution
Q&A