



## Slower H1 recurring revenue: stronger H2 outlook

### Key messages

- No material changes to the financial information or guidance contained in the announcement made on 13 April 2018, with the exception of cash conversion, which has improved to 99%;
- Revenue growth in H1 18 was impacted by inconsistent operational execution in driving recurring revenue growth, particularly in the UK, and some contract licence slippage in the Enterprise segment in Africa Middle East and USA;
- The root causes of the execution issues have been identified and management has already made changes which will drive subscription-based revenue acceleration in H2 18 and beyond, and improve visibility in the Enterprise segment;
- Operational execution for the majority of geographies remains robust, with particular success in North America;
- Strong momentum in acquired businesses of Sage Intacct and Sage People reflects the carefully sequenced integration of these businesses;
- The market opportunity for Sage, as outlined at Capital Markets Day 2018 (CMD), remains unchanged.

### Key financial targets

H1 18 performance	FY18 guidance
Organic Revenue <b>6.3%</b>	Organic Revenue <b>Around 7.0%</b>
Organic Operating Profit Margin <b>24.5%</b>	Organic Operating Profit Margin <b>Around 27.5%</b>

### Key statistics

Revenue categories growth	H1 18	H1 17	Sage Business Cloud ARR	H1 18	H1 17
Recurring	6.4%	11.1%	Cloud connected	£205m	£119m
Software subscription	25.3%	30.6%	Cloud native	£131m	£96m
Processing	2.1%	11.3%	Sage Business Cloud Total ARR	£336m	£215m
SSRS	7.1%	(7.3%)			
Other key stats	H1 18	H1 17	Cash metrics	H1 18	H1 17
Software subscription penetration	44%	37%	Underlying cash conversion	99%	104%
G&A margin	13.8%	15.2%	Free cash flow as % revenue	17%	18%
Dividend per share	5.65p	5.22p	Net debt : EBITDA leverage	1.4	0.9
Increase in DPS	8.2%	8.8%			

### FY18 Outlook

On 13 April 2018, Sage announced that Group guidance for FY18 was being revised to around 7% organic revenue growth from around 8% organic revenue growth. There has been no change to organic operating margin guidance at around 27.5% for FY18.

The rolling mid-term guidance remains that organic revenue growth will reach 10% on a sustainable basis and organic operating margins will be at least 27%. Further cost savings of 500bps will be delivered over this period and either reinvested for growth or realised as an increase to operating margin. Over the long-term, Sage has an aim of achieving organic operating margins of at least 30%.



## Slower H1 recurring revenue: stronger H2 outlook

### Summary tables

Financial Summary	H1 18	H1 17	Change
<b>Organic revenue</b>	<b>£908m</b>	<b>£854m</b>	<b>6.3%</b>
Recurring revenue	£707m	£665m	6.4%
Processing revenue	£43m	£42m	2.1%
SSRS revenue	£158m	£147m	7.1%
Underlying operating profit	£222m	£224m	(0.7%)
Underlying operating profit margin	24.5%	25.3%	(80bps)
Underlying basic EPS	14.25p	14.12p	0.9%
Underlying adjusted EPS	14.25p	12.33p	15.5%
Underlying cash conversion	99%	104%	(500bps)
Ordinary dividend per share	5.65p	5.22p	8.2%

Statutory summary	H1 18	H1 17	Change
Revenue	£899m	£840m	7.1%
Operating profit	£186m	£180m	3.1%
Profit before tax	£171m	£180m	(5.0%)
Basic EPS (total operations)	12.50p	13.54p	(7.6%)

### Product naming

sage One	➔	sage	Accounting
sage Live	➔	sage	Financials
sage Intacct	➔	sage Intacct	
sage X3	➔	sage	Enterprise Management
sage People	➔	sage	People
sage Payments	➔	sage	Payments & Banking
sage Payroll	➔	sage	Payroll

Join us for the presentation – Wednesday 2 May, 8:30am

#### In person

- London Stock Exchange
- 10, Paternoster Square, EC4M 7LS

#### Webcast

- Register at [sage.com/investors](http://sage.com/investors)
- Join live or watch the replay

#### Dial in

- +44 (0) 330 336 9105
- Pin code: 1759100#

#### Call replay

- +44 (0) 808 101 1153
- Pin code: 1759100#