

About Sage

Sage is the global market leader for technology that helps businesses of all size manage everything from money to people.

With Sage Business Cloud we provide the one and only business management solution that customers will ever need.

Meet the team



Steve Hare
CEO



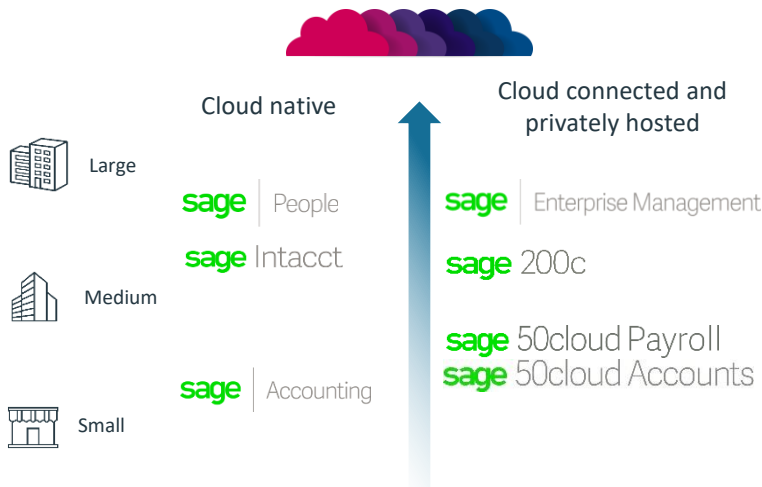
Jonathan Howell
CFO

Investment case

- ✓ **High quality recurring revenue growth**
H119: 83% recurring revenue, 52% software subscription revenue
- ✓ **Efficient capital allocation**
Investing efficiently for growth, H119: 23.2% organic operating margin
- ✓ **Strong free cash flow**
H119 underlying cash conversion of 151%
- ✓ **Sustainable dividend**
H119: 2.5% increase in dividend, commitment to maintaining in real terms

Total addressable market

- Sage's total addressable market is \$34bn with 71m businesses
- The market is growing at 7% with cloud spend increasing by 13%
- Competition is fragmented, varying by geography

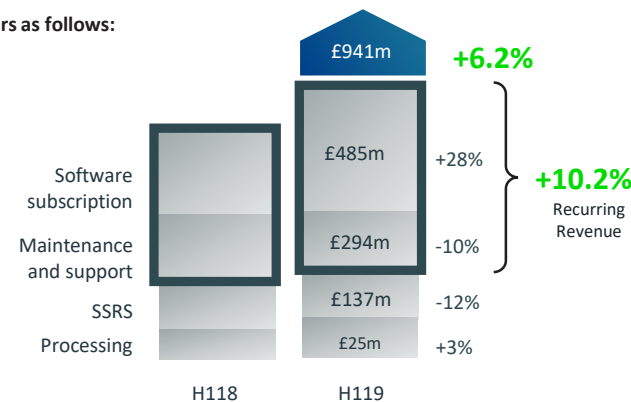


Revenue categories

In FY18 Sage delivered **£1.8bn** of revenue comprising:

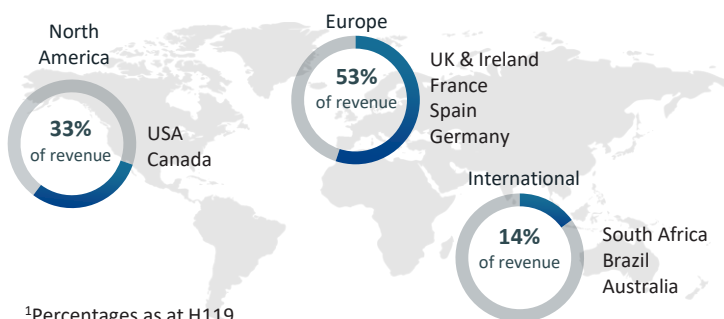
- Recurring revenue, comprising software subscription revenue from subscription contracts and maintenance & support from on-plan customers.
- Software and software related services (SSRS revenue), comprising licences and services (e.g. training, implementation).
- Processing revenue from payments solutions
- Over time, an increasing proportion of revenue will be subscription and recurring revenue with SSRS to trend down.

H119 numbers as follows:



Our global reach¹

- We serve 3m customers in 26 countries with the main countries being:



¹Percentages as at H119

Financial performance

Financial performance	H119	FY18	FY17
Total revenue	£941m	£1,819m	£1,703m
Total revenue growth	+6%	+7%	+8%
Recurring revenue growth	+10%	+7%	+9%
Organic operating profit	£218m	£505m	£475m ²
Organic operating margin %	23.2%	27.8%	28.0% ²

²As reported

FY19 guidance

Updated at H119

Guidance	
Recurring revenue growth:	Top end or slightly exceed 8% - 9%
SSRS and processing revenue decline:	Bottom end or slightly below flat to mid single digit decline
Organic operating margin:	23% - 25%

- We expect FY19 organic recurring revenue growth to be at the top end or slightly exceed the guided range of between 8-9%
- We expect SSRS and processing revenue to be at the lower end or below the guided range of flat to mid-single digit decline.
- Overall, expectations for full year FY19 total revenue remain unchanged
- The Group maintains its organic operating profit margin guidance of 23-25%.

Sage's purpose

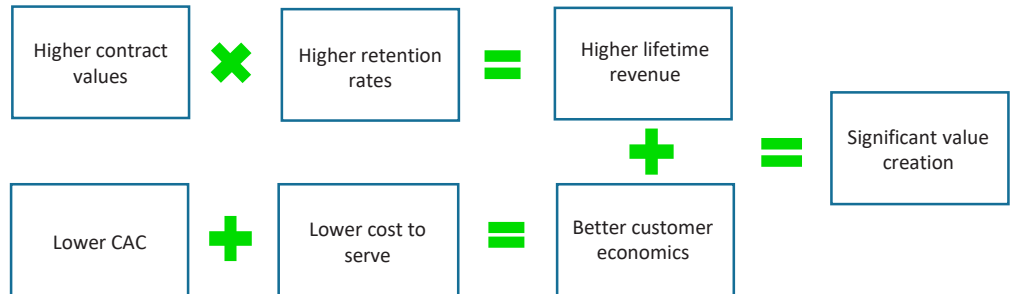
To transform the way people think and work, so their organisations can thrive

Sage's vision

To become a great SaaS company for customers and colleagues alike

Compelling economics of SaaS

- By continuing to transition to SaaS, Sage can embrace a closer relationship with customers, increasing lifetime contract value at more efficient levels.
- This model will drive a sustainable acceleration in recurring revenue growth, underpinned by strong free cashflow and an efficient return on investment.



Strategic lenses

How we will achieve our vision

Customer success

Creating enduring subscription relationships and having a customer-centric approach in everything we do



Colleague success

Creating an environment that values the individual, fosters collaboration and rewards all colleagues



Innovation

Strengthening our Sage Business Cloud offering and invest in emerging technology



Focus and investment

- Focus on customer touch points
- Investment in sales and service systems
- Customer-led marketing

- Culture and Leadership behaviours
- Colleague-led communication
- Raising engagement

- Building Tech Leadership Team
- Investing in Sage Business Cloud
- Sage Intacct internationalisation
- Service fabric

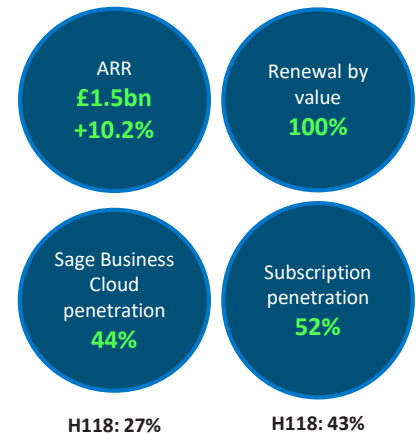
Portfolio simplification

- The primary focus is to migrate desktop customers and attract new customers to Sage Business Cloud
- 'Other' products will not migrate to the cloud and instead have individual value creation paths.

	Recurring		Total	
	H119	Growth	H119	Growth
Cloud native	£80m	27%	£86m	26%
Cloud connected	£210m	124%	£219m	120%
Sage Business Cloud	£291m	85%	£306m	82%
Products with potential to migrate	£373m	-14%	£467m	-14%
Future Sage Business Cloud Opportunity	£663m	12%	£773m	8%
Other	£116m	0%	£168m	-3%
Organic Total Revenue	£779m	10%	£941m	6%

H119 Strategic KPIs

The four strategic KPIs Sage will report on every six months:



Capital allocation priorities



Broad range of 1.0x – 2.0x net debt: EBITDA over the medium term