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• Rounding
As a result of rounding throughout this document, it is possible that tables may not cast and change percentages may not calculate precisely.

• Terminology
Unless stated otherwise all references to revenue are organic.

• Materiality
Only figures over £1m are considered to be material for the purposes of this presentation.
Steve Hare, CEO

- Welcome
- Overview
- Financial review
- Strategy
- Outlook
- Q&A
Purpose, vision and strategy

Purpose:
To transform the way people think and work, so their organizations can thrive

Vision:
To become a great SaaS company for our customers and colleagues alike

3 strategic lenses:
- Customer success
- Colleague success
- Innovation
Key messages

Focus

Strategic execution

Recurring revenue growth
Summary

- High quality recurring revenue growth
- Strong cash conversion
- On target margin
**P&L summary**

<table>
<thead>
<tr>
<th></th>
<th>H1 19 £m</th>
<th>H1 18 £m</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Organic Revenue</td>
<td>£941m</td>
<td>£886m</td>
<td>6.2%</td>
</tr>
<tr>
<td>Recurring revenue</td>
<td>£779m</td>
<td>£707m</td>
<td>10.2%</td>
</tr>
<tr>
<td>Organic operating profit</td>
<td>£218m</td>
<td>£220m</td>
<td>(0.8%)</td>
</tr>
<tr>
<td>Organic operating profit margin %</td>
<td>23.2%</td>
<td>24.8%</td>
<td>(1.6 %pts)</td>
</tr>
<tr>
<td>Underlying operating profit</td>
<td>£218m</td>
<td>£224m</td>
<td>(2.9%)</td>
</tr>
<tr>
<td>Underlying operating profit margin %</td>
<td>22.7%</td>
<td>24.6%</td>
<td>(1.9 %pts)</td>
</tr>
<tr>
<td>Underlying basic EPS</td>
<td>13.93p</td>
<td>14.24p</td>
<td>(2.2%)</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>5.79p</td>
<td>5.65p</td>
<td>2.5%</td>
</tr>
<tr>
<td>Annualised Recurring Revenue (ARR)</td>
<td>1,545m</td>
<td>1,402m</td>
<td>10.2%</td>
</tr>
</tbody>
</table>
Revenue categories

- Recurring revenue: £485m (H1 19) vs £294m (H1 18), +6.2%
- Maintenance & Support: £25m (H1 19) vs £137m (H1 18), -12%
- SSRS Processing: £24m (H1 19) vs £155m (H1 18), +3%
- Software subscription: £25m (H1 19) vs £137m (H1 18), -10%

Recurring revenue penetration:
- H1 18: 80%
- H1 19: 83%

Software subscription penetration:
- H1 18: 43%
- H1 19: 52%
## Organic revenue by portfolio

<table>
<thead>
<tr>
<th></th>
<th>Recurring</th>
<th>Total</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H119 £m</td>
<td>H118 £m</td>
<td>%</td>
</tr>
<tr>
<td>Cloud native</td>
<td>£80m</td>
<td>£63m</td>
<td>27%</td>
</tr>
<tr>
<td>Cloud connected</td>
<td>£210m</td>
<td>£94m</td>
<td>124%</td>
</tr>
<tr>
<td>Sage Business Cloud</td>
<td>£291m</td>
<td>£157m</td>
<td>85%</td>
</tr>
<tr>
<td>Products with potential to migrate</td>
<td>£373m</td>
<td>£434m</td>
<td>-14%</td>
</tr>
<tr>
<td>Future Sage Business Cloud Opportunity</td>
<td>£663m</td>
<td>£591m</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>£116m</td>
<td>£116m</td>
<td>0%</td>
</tr>
<tr>
<td>Organic Total Revenue</td>
<td>£779m</td>
<td>£707m</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Sage Business Cloud penetration
- 44% 27%

### Cloud Connected adjustment
- £40m
Regional overview
North America

H119 performance

USA
• 8% recurring revenue growth
• High penetration on cloud connected growth

Canada
• 13% recurring revenue growth
• Cloud connected migrations driving growth

Sage Intacct
• Recurring revenue growth 29%
• Strength from new customer acquisition and existing customers

<table>
<thead>
<tr>
<th>Organic Revenue by Category</th>
<th>H119</th>
<th>H118</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic total revenue</td>
<td>£311m</td>
<td>£283m</td>
<td>+10%</td>
</tr>
<tr>
<td>Organic recurring revenue</td>
<td>£276m</td>
<td>£246m</td>
<td>+12%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-region view – total revenue</th>
<th>H119</th>
<th>H118</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>£209m</td>
<td>£197m</td>
<td>+6%</td>
</tr>
<tr>
<td>Canada</td>
<td>£47m</td>
<td>£43m</td>
<td>+10%</td>
</tr>
<tr>
<td>Sage Intacct</td>
<td>£55m</td>
<td>£43m</td>
<td>+28%</td>
</tr>
</tbody>
</table>
Northern Europe

H119 performance

Recurring revenue growth 14%
• Strong migration, new customer acquisition and reactivation in cloud connected

Total revenue growth 4%
• Steep SSRS decline due to H118 licence and services sales

Organic Revenue by Category

<table>
<thead>
<tr>
<th></th>
<th>H119</th>
<th>H118</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic total revenue</td>
<td>£197m</td>
<td>£189m</td>
<td>+4%</td>
</tr>
<tr>
<td>Organic recurring revenue</td>
<td>£163m</td>
<td>£143m</td>
<td>+14%</td>
</tr>
</tbody>
</table>
Central and Southern Europe

H119 performance

France

• 5% recurring revenue growth
• Growth driven through cloud connected solutions
• SSRS decline with focus on driving subscription

Central Europe

• Central Europe 6% recurring revenue growth
• Iberia 7% recurring revenue growth

<table>
<thead>
<tr>
<th>Organic Revenue by Category</th>
<th>H119</th>
<th>H118</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic total revenue</td>
<td>£304m</td>
<td>£294m</td>
<td>+3%</td>
</tr>
<tr>
<td>Organic recurring revenue</td>
<td>£241m</td>
<td>£227m</td>
<td>+6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-region view – total revenue</th>
<th>H119</th>
<th>H118</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>£139m</td>
<td>£135m</td>
<td>+3%</td>
</tr>
<tr>
<td>Central Europe</td>
<td>£89m</td>
<td>£85m</td>
<td>+4%</td>
</tr>
<tr>
<td>Iberia</td>
<td>£76m</td>
<td>£73m</td>
<td>+4%</td>
</tr>
</tbody>
</table>
International

H119 performance

Africa and Middle East
• 12% recurring revenue growth
• Local products driving growth
• Growth in SSRS

Rest of International
• Australia and Asia 3% recurring revenue growth
• Latin America 7% recurring revenue growth

<table>
<thead>
<tr>
<th>Organic Revenue by Category</th>
<th>H119</th>
<th>H118</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic total revenue</td>
<td>£129m</td>
<td>£120m</td>
<td>+6%</td>
</tr>
<tr>
<td>Organic recurring revenue</td>
<td>£99m</td>
<td>£91m</td>
<td>+8%</td>
</tr>
<tr>
<td>Sub-region view – total revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa &amp; Middle East</td>
<td>£70m</td>
<td>£61m</td>
<td>+12%</td>
</tr>
<tr>
<td>Australia &amp; Asia</td>
<td>£32m</td>
<td>£33m</td>
<td>-2%</td>
</tr>
<tr>
<td>Latin America</td>
<td>£27m</td>
<td>£26m</td>
<td>+3%</td>
</tr>
</tbody>
</table>
## Strong cash flow and financial position

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>£218m</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>£16m</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>£13m</td>
</tr>
<tr>
<td>Net changes in working capital</td>
<td>£106m</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>(£23m)</td>
</tr>
<tr>
<td>Underlying cash flow from operating activities</td>
<td>£330m</td>
</tr>
</tbody>
</table>

### Underlying cash flow from operating activities

- Non-recurring Items: (£20m)
- Net interest paid: (£12m)
- Income tax paid: (£41m)

### Key metrics

- Underlying cash conversion: 151%
- Closing net debt: (£448m)
- Net debt leverage<sup>1</sup>: 0.8x
- ROCE: 21%

<sup>1</sup> See appendix for definitions
Capital allocation

To become a great SaaS company for customers and colleagues alike

1. Organic investment
2. M&A and portfolio rationalisation
3. Maintain the ordinary dividend in real terms
4. Additional returns

Strong and stable financial position
Broad range of 1.0x – 2.0x net debt: EBITDA over the medium term
Summary

High quality recurring revenue growth
10.2%

Strong cash conversion
151%

On target margin
23.2%
Steve Hare, CEO

- Welcome
- Overview
- Financial review
- Strategy
- Outlook
- Q&A
Benefits of subscription

- Higher contract values
- Higher retention rates
- Higher lifetime revenue
- Lower CAC
- Lower cost to serve
- Better customer economics

Value Creation
Strategic KPIs

- ARR: +10%
- Subscription penetration: 52%
- Sage Business Cloud penetration: 44%
- Renewal by value: 100%
Investment in the business
FY19 and beyond

Customer success
Colleague success
Innovation
Customer success
Taking a customer-centric approach to everything we do

H119 progress
• Focus on customer touch points
• Investment in sales and service systems
• Customer-led marketing

KPIs
• NPS
• Customer Churn
• Renewal by value
Colleague success
Culture that values individuals & encourages collaboration

H119 progress
• Culture and Leadership behaviours
• Colleague-led communication
• Raising engagement

KPIs
• Colleague engagement
• Foundation days
• Attrition / internal promotion
Innovation
Constant, customer-led innovation and accelerating Sage Business Cloud

H119 progress
• Building Tech Leadership Team
• Investing in Sage Business Cloud
• Sage Intacct internationalisation
• Service fabric

KPIs
• Sage Business Cloud penetration
• Availability of Native Cloud Solutions
• Customer Churn
Progress in cloud connected solutions

Cloud functionality
- Current functionality

Desktop solution

- Payroll
- Employee self-service
- Bank feeds
- Office 365
- Online payments
Progress in cloud connected solutions

Cloud functionality
- Current functionality
- Future functionality

SageResults
Sage Group plc Interim Results 2019
Innovation
Constant, customer-led innovation and accelerating Sage Business Cloud

H119 progress
• Building Tech Leadership Team
• Investing in Sage Business Cloud
• Sage Intacct internationalisation
• Service fabric

KPIs
• Sage Business Cloud penetration
• Availability of Native Cloud Solutions
• Customer Churn
FY19 guidance

- Recurring revenue growth top end or slightly exceed 8% — 9%
- SSRS and processing lower end or below Flat — mid single digit decline
- Organic operating margin 23% — 25%
Key messages

Focus → Strategic execution → Recurring revenue growth
Q&A

#SageResults
Glossary

Underlying (revenue and profit) measures

Underlying measures are adjusted to exclude items which would distort the 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, FX on intercompany balances and fair value adjustments; 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.

All prior period underlying measures (revenue and profit) are retranslated at the current year exchange rates to neutralise the effect of currency fluctuations.

Organic revenue measures

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, at which point they are included for the full current and prior period; and
- Includes the impact of IFRS15 on FY18 applied in a manner consistent with FY19.

Acquisitions and disposals which occurred close to the start of the opening comparative period where the contribution impact would be immaterial are not adjusted. Please note that organic operating profit margin as reported is not necessarily comparable from period to period.

Underlying cash flow from operating activities

Underlying Cash Flow from Operating Activities is Underlying Operating Profit adjusted for non-cash items, net capex (excluding business combinations and similar items) and changes in working capital.

Underlying cash conversion

Underlying Cash Flow from Operating Activities divided by Underlying Operating Profit.

EBITDA

EBITDA is Underlying Operating Profit excluding depreciation, amortisation and share based payments.

Annualised recurring revenue ("ARR")

Annualised recurring revenue ("ARR") is the normalised reported recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by twelve. Adjustments to normalise reported recurring revenue include those components that management has assessed should be excluded in order to ensure the measure reflects that part of the contracted revenue base which (subject to ongoing use and renewal) can reasonably be expected to repeat in future periods (such as non-refundable contract sign-up fees).

Renewal Rate by Value

The annualised recurring revenue from renewals, migrations, upsell and cross-sell of active customers at the start of the year, divided by the opening annualised recurring revenue for the year.
### Glossary

<table>
<thead>
<tr>
<th>Measure/Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Free cash flow</strong></td>
<td>Free Cash Flow is Cash Flow from Operating Activities minus non-recurring cash items, interest paid, tax paid and adjusted for profit and loss foreign exchange movements.</td>
</tr>
<tr>
<td><strong>% Subscription Penetration</strong></td>
<td>Organic software subscription revenue as a percentage of organic total revenue</td>
</tr>
<tr>
<td><strong>% Sage Business Cloud Penetration</strong></td>
<td>Organic recurring revenue from the Sage Business Cloud (native and connected cloud) as a percentage of the organic recurring revenue of the Future Sage Business Cloud</td>
</tr>
<tr>
<td><strong>% Recurring revenue penetration</strong></td>
<td>Organic recurring revenue as a percentage of organic total revenue</td>
</tr>
<tr>
<td><strong>Return on Capital Employed</strong></td>
<td>ROCE is calculated as:</td>
</tr>
<tr>
<td></td>
<td>- Underlying Operating Profit; minus</td>
</tr>
<tr>
<td></td>
<td>- Amortisation of acquired intangibles; the result being divided by</td>
</tr>
<tr>
<td></td>
<td>- The average (of the opening and closing balance for the period) total net assets excluding net debt, provisions for non-recurring costs and tax assets or liabilities (i.e. capital employed)</td>
</tr>
<tr>
<td><strong>Net debt leverage</strong></td>
<td>The net value of cash less borrowings expressed as a multiple of rolling 12-month EBITDA.</td>
</tr>
</tbody>
</table>
## Glossary – Revenue types

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring revenue</td>
<td>Recurring revenue is revenue earned from customers for the provision of a good or service, where risks and rewards are transferred to the customer over the term of a contract, with the customer being unable to continue to benefit from the full functionality of the good or service without ongoing payments. Subscription revenue is revenue earned from customers for the provision of a good or service, where the risk and rewards are transferred to the customer over the term of a contract. In the event that the customer stops paying, they lose the legal right to use the software and the Company has the ability to restrict the use of the product or service (also known as ‘Pay to play’). Subscription revenue and maintenance and support revenue are recognised on a straight-line basis over the term of the contract (including non-specified upgrades, when included). Revenue relating to future periods is classified as deferred income on the balance sheet to reflect the transfer of risk and reward.</td>
</tr>
<tr>
<td>Software and software-related services</td>
<td>Perpetual software licences and specified upgrades revenue are recognised when the significant risks and rewards of ownership relating to the licence have been transferred and it is probable that the economic benefits associated with the transaction will flow to the Group. This is when the goods have left the warehouse to be shipped to the customer or when electronic delivery has taken place. Other product revenue (which includes hardware and stationery) is recognised as the products are shipped to the customer. Other services revenue (which includes the sale of professional services and training) is recognised when delivered, or by reference to the stage of completion of the transaction at the end of the reporting period. This assessment is made by comparing the proportion of contract costs incurred to date to the total expected costs to completion.</td>
</tr>
<tr>
<td>Processing revenue</td>
<td>Processing revenue is revenue earned from customers for the processing of payments or where Sage colleagues process our customers’ payroll. Processing revenue is recognised at the point that the service is rendered on a per transaction basis.</td>
</tr>
</tbody>
</table>
Thank you