

### About Sage

Sage is the global market leader for technology that provides small and medium businesses with the visibility, flexibility and efficiency to manage finances, operations and people. With our partners, Sage is trusted by millions of customers worldwide to deliver the best cloud technology and support.

#### Meet the team



**Steve Hare**  
CEO



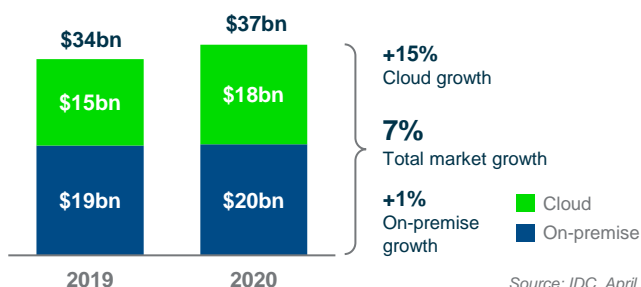
**Jonathan Howell**  
CFO

#### Investment case

- ✓ **High quality recurring revenue growth**  
H1 20: 10% growth in ARR to £1.7bn, with 88% recurring revenue
- ✓ **Efficient capital allocation**  
Investing efficiently for growth. H1 20: 22.8% organic operating margin
- ✓ **Strong free cash flow**  
H1 20: underlying cash conversion of 127%
- ✓ **Resilient balance sheet**  
H1 20: 0.5x net debt to EBITDA, with £1.3bn of cash and available liquidity

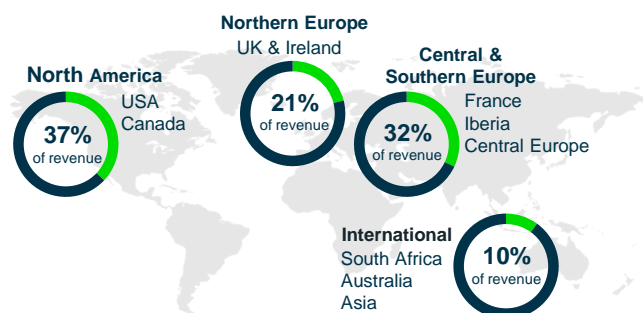
#### Total addressable market

- Sage's total addressable market is worth \$37bn including 69m businesses
- The market is growing at 7% with cloud spend increasing by 15%



#### Our global reach

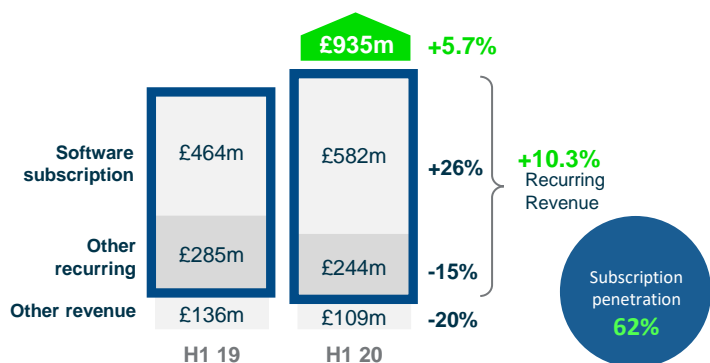
Sage serves millions of customers around the world:



#### Revenue categories

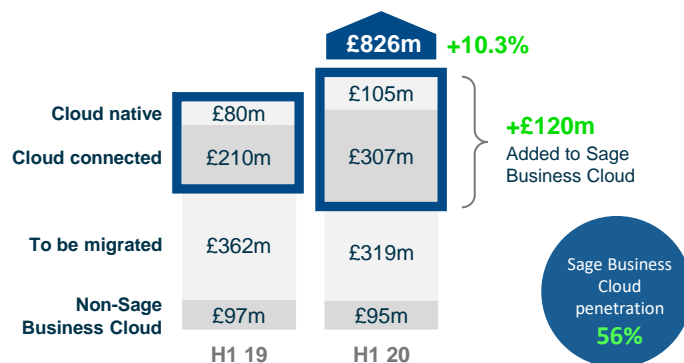
In H1 20 Sage achieved organic total revenue of **£935m**, as follows:

- Recurring revenue of **£826m**, including software subscription and other recurring revenue (i.e. maintenance & support from on-plan customers)
- Other revenue of **£109m**, mainly software and software related services (SSRS) comprising licences and professional services
- Over time, subscription will continue to grow within the revenue mix



#### Portfolio view of recurring revenue

- Sage Business Cloud is a portfolio of unified cloud native and cloud connected solutions for small and medium businesses
- Sage continues to migrate existing customers and attract new customers to Sage Business Cloud, which added £120m of revenue in H1 20
- Management are considering value creation paths, including disposals, for 'Non-Sage Business Cloud' products and solutions



#### Financial performance

	H1 20	H1 19	FY19
Recurring revenue growth	+10%	+10%	+11%
Organic total revenue	£935m	£885m	£1,822m
Organic operating profit	£213m	£207m	£432m
Organic operating margin %	22.8%	23.4%	23.7%

#### FY20 guidance

- As a result of COVID-19, we expect that:
  - organic recurring revenue growth will be below the previously guided range of 8% to 9%
  - the decline in other revenue will accelerate significantly in the second half, with an associated impact on margin

## Sage's Purpose

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

## Sage's Vision

To become a great SaaS company for customers and colleagues alike

## Strategy

### Customer success



Taking a customer-centric approach to everything we do

### Colleague success



Culture that values individuals and encourages collaboration

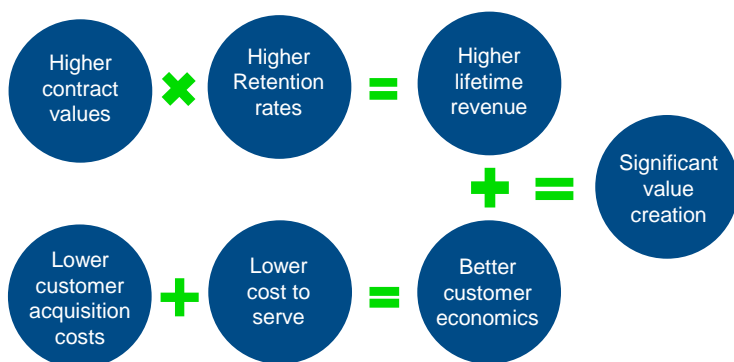
### Innovation



Solutions that delight customers and transform how they think and work

## Compelling economics of SaaS

By continuing to transition to SaaS, Sage can embrace a closer relationship with customers, leading to better economics and significant value creation.



## How Sage builds ARR

- Sage increased ARR by **10%** to **£1.7bn** in H1 20
- Sage seeks to minimise churn and deliver increased value to existing customers, reactivate off-plan customers and attract new customers



Existing customers

**Opening ARR<sup>1</sup>** 100% **£1.54bn**

- Churn
- + Migration, upsell & cross-sell



New customers

**Renewal by value** 101% **£1.56bn**

- + Reactivations
- + New customer acquisition

**Closing ARR** 110% **£1.69bn**

1. Annualised Recurring Revenue as at 31 March 2019

## H1 20 focus and investment – innovation

### Sage Business Cloud Vision

The vision for Sage Business Cloud is a digital environment of cloud platforms, applications and services, supported by a thriving partner marketplace. Using Sage's identity management, design system and digital services, Sage Business Cloud creates a unified customer journey, enabling digital connections between individuals and organisations.



### Sage Business Cloud portfolio

- Sage is investing significantly in innovation. In H1 20 Sage launched Sage Accounting for Professional Users, expanded Sage Intacct in new geographies, and integrated new services & features across the portfolio.
- Sage will continue to develop Sage Business Cloud to serve both cloud native and cloud connected customers.

	Cloud Connected	Cloud Native	
		Accounting & Financials	People & Payroll
MEDIUM	Sage X3 Sage 200 Cloud	Sage Intacct	Sage People
SMALL	Sage 50 Cloud Sage 50 Payroll	Sage Accounting	CakeHR Sage Payroll
<b>Sage Service Fabric</b>			

## Capital allocation priorities

1

Organic investment

2

M&A and portfolio rationalisation

3

Maintain the ordinary dividend in real terms

4

Additional returns

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