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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

- Overview
- Financial review
- Strategic progress & outlook
- Q&A
Highlights of a strong first half

Financial performance

Strategic execution

Focus
Our response to COVID-19

- Colleague wellbeing
- Support for customers
- Executing our strategy
Overview

Financial review

Strategic progress & outlook

Q&A

Jonathan Howell, CFO
Financial highlights

- **High quality recurring revenue growth**: 10.3%
- **On target margin**: 22.8%
- **Strong cash conversion**: 127%
- **Resilient balance sheet**: £1.3bn

1. Cash and available liquidity as at 31 March 2020
## P&L summary

<table>
<thead>
<tr>
<th>Metric</th>
<th>H1 20 £m</th>
<th>H1 19 £m</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Organic Revenue</td>
<td>£935m</td>
<td>£885m</td>
<td>+5.7%</td>
</tr>
<tr>
<td>Recurring revenue</td>
<td>£826m</td>
<td>£749m</td>
<td>+10.3%</td>
</tr>
<tr>
<td>Organic operating profit</td>
<td>£213m</td>
<td>£207m</td>
<td>+3.0%</td>
</tr>
<tr>
<td>Organic operating profit margin %</td>
<td>22.8%</td>
<td>23.4%</td>
<td>-0.6% pts</td>
</tr>
<tr>
<td>Underlying operating profit</td>
<td>£218m</td>
<td>£216m</td>
<td>+0.9%</td>
</tr>
<tr>
<td>Underlying operating profit margin %</td>
<td>22.4%</td>
<td>22.9%</td>
<td>-0.5% pts</td>
</tr>
<tr>
<td>Underlying basic EPS</td>
<td>13.75p</td>
<td>13.78p</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>5.93p</td>
<td>5.79p</td>
<td>+2.5%</td>
</tr>
<tr>
<td>Annualised Recurring Revenue (ARR)</td>
<td>£1,693m</td>
<td>£1,541m</td>
<td>+9.8%</td>
</tr>
</tbody>
</table>
Revenue categories

<table>
<thead>
<tr>
<th>Category</th>
<th>H1 19</th>
<th>H1 20</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software subscription</td>
<td>£464m</td>
<td>£582m</td>
<td></td>
<td>+26%</td>
</tr>
<tr>
<td>Other recurring</td>
<td>£285m</td>
<td>£244m</td>
<td>-15%</td>
<td></td>
</tr>
<tr>
<td>Other (SSRS and processing)</td>
<td>£136m</td>
<td>£109m</td>
<td>-20%</td>
<td></td>
</tr>
</tbody>
</table>

Recurring revenue penetration: 88%
Software subscription penetration: 62%
Renewal by value: 101%
Portfolio view of recurring revenue

<table>
<thead>
<tr>
<th></th>
<th>H1 19</th>
<th>H1 20</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud native</td>
<td>£95m</td>
<td>£826m</td>
<td>+10.3%</td>
</tr>
<tr>
<td>Cloud connected</td>
<td>£362m</td>
<td>£319m</td>
<td>-12%</td>
</tr>
<tr>
<td>To be migrated</td>
<td>£210m</td>
<td>£105m</td>
<td>+31%</td>
</tr>
<tr>
<td>Non-Sage</td>
<td>£80m</td>
<td>£97m</td>
<td>-2%</td>
</tr>
<tr>
<td>Business Cloud</td>
<td>£97m</td>
<td>£95m</td>
<td>+12%</td>
</tr>
</tbody>
</table>

Future Sage Business Cloud penetration 56%
Regional overview
North America

H1 20 performance
US (excluding Sage Intacct)
• 7% recurring revenue growth
• Cloud connected growth driven by Sage 200 migrations

Canada
• 10% recurring revenue growth
• Sage 50 cloud connected solutions driving growth

Sage Intacct
• Recurring revenue growth 31%
• Strength from both new customer acquisition and existing customers

<table>
<thead>
<tr>
<th>Organic Revenue by Category</th>
<th>H1 20</th>
<th>H1 19</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic total revenue</td>
<td>£343m</td>
<td>£314m</td>
<td>+9%</td>
</tr>
<tr>
<td>Organic recurring revenue</td>
<td>£311m</td>
<td>£278m</td>
<td>+12%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-region view – recurring revenue</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US (excluding Sage Intacct)</td>
<td>£196m</td>
<td>£183m</td>
<td>+7%</td>
</tr>
<tr>
<td>Canada</td>
<td>£46m</td>
<td>£42m</td>
<td>+10%</td>
</tr>
<tr>
<td>Sage Intacct</td>
<td>£69m</td>
<td>£53m</td>
<td>+31%</td>
</tr>
</tbody>
</table>
Northern Europe

H1 20 performance

- Recurring revenue growth 13%
  - Sage Business Cloud penetration now at 80%
  - Reflecting strong growth in H2 19 and new Sage 50 cloud connected contracts added in H1 20
  - Encouraging early performance of Sage Intacct in the UK

<table>
<thead>
<tr>
<th>Organic Revenue by Category</th>
<th>H1 20</th>
<th>H1 19</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic total revenue</td>
<td>£198m</td>
<td>£179m</td>
<td>+10%</td>
</tr>
<tr>
<td>Organic recurring revenue</td>
<td>£187m</td>
<td>£165m</td>
<td>+13%</td>
</tr>
</tbody>
</table>
Central and Southern Europe

H1 20 performance

France
• 4% recurring revenue growth
• Growth driven by cloud connected products in FY19 aided by new contracts in H1 20

Central Europe
• 9% recurring revenue growth

Iberia
• 8% recurring revenue growth
• Growth in Sage 50 and Sage 200 cloud connected portfolio and local products

<table>
<thead>
<tr>
<th>Organic Revenue by Category</th>
<th>H1 20</th>
<th>H1 19</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic total revenue</td>
<td>£297m</td>
<td>£298m</td>
<td>0%</td>
</tr>
<tr>
<td>Organic recurring revenue</td>
<td>£250m</td>
<td>£236m</td>
<td>+6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-region view – recurring revenue</th>
<th>H1 20</th>
<th>H1 19</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>£120m</td>
<td>£116m</td>
<td>+4%</td>
</tr>
<tr>
<td>Central Europe</td>
<td>£68m</td>
<td>£63m</td>
<td>+9%</td>
</tr>
<tr>
<td>Iberia</td>
<td>£62m</td>
<td>£57m</td>
<td>+8%</td>
</tr>
</tbody>
</table>
International

H1 20 performance

Africa and Middle East
• 15% recurring revenue growth
• Local products and continued strong performance in Sage Accounting

Australia and Asia
• 2% recurring revenue growth

Organic Revenue by Category

<table>
<thead>
<tr>
<th></th>
<th>H1 20</th>
<th>H1 19</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic total revenue</td>
<td>£97m</td>
<td>£94m</td>
<td>+3%</td>
</tr>
<tr>
<td>Organic recurring revenue</td>
<td>£78m</td>
<td>£70m</td>
<td>+11%</td>
</tr>
</tbody>
</table>

Sub-region view – recurring revenue

<table>
<thead>
<tr>
<th></th>
<th>H1 20</th>
<th>H1 19</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa &amp; Middle East</td>
<td>£53m</td>
<td>£46m</td>
<td>+15%</td>
</tr>
<tr>
<td>Australia &amp; Asia</td>
<td>£25m</td>
<td>£24m</td>
<td>+2%</td>
</tr>
</tbody>
</table>
## Strong cash flow and financial position

### Underlying operating profit
- £218m

### Depreciation and amortisation
- £29m

### Share-based payments
- £9m

### Net changes in working capital
- £36m

### Net capital expenditure
- (£16m)

### Underlying cash flow from operating activities
- £276m

### Underlying cash flow from operating activities
- £276m

### Non-recurring items
- (£2m)

### Net interest paid
- (£12m)

### Income tax paid
- (£39m)

### Foreign exchange movements
- £4m

### Free cash flow
- £227m

### Key metrics
- **Underlying cash conversion**: 127%
- **Cash and available liquidity**: £1.3bn
- **Closing net debt**: (£238m)
- **Net debt leverage**: 0.5x
- **ROCE**: 20.5%

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
Comfortable with our current position given uncertain environment
Summary

High quality recurring revenue growth: 10.3%

On target margin: 22.8%

Strong cash conversion: 127%

Resilient balance sheet: £1.3bn

1. Cash and available liquidity as at 31 March 2020
Overview
Financial review
Strategic progress & outlook
Q&A
Transitioning the business

FY 18
- Software subscription: 44%
- Maintenance & Support: 34%
- Other: 22%
- Recurring revenue: 78%

H1 20
- Software subscription: 62%
- Maintenance & Support: 26%
- Other: 12%
- Recurring revenue: 88%

Future
- Software subscription: >90%
- Maintenance & Support: <10%
- Recurring revenue: >90%
### Building ARR

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening ARR</strong></td>
<td>100%</td>
<td>£1.54bn</td>
<td></td>
</tr>
<tr>
<td><strong>Renewal by value</strong></td>
<td>101%</td>
<td>£1.56bn</td>
<td></td>
</tr>
<tr>
<td><strong>Closing ARR</strong></td>
<td>110%</td>
<td>£1.69bn</td>
<td></td>
</tr>
</tbody>
</table>

1. As at the end of the comparative period (31 March 2019)

**Existing customers**
- Churn
- Migration, upsell & cross-sell

**New customers**
- Reactivations
- New customer acquisition
Customer success
Taking a customer-centric approach to everything we do

H1 20 progress – Small
- Focus on end-to-end experience and product integration
- Focus on accountants

H1 20 progress – Medium
- Simplified industry vertical focus
- Partner engagement

COVID-19
- Coronavirus hubs and webinars
- Help access government funding
- New software module

KPIs: NPS, renewal by value
Colleague success
Culture that values individuals & encourages collaboration

H1 20 progress
• Investment in leaders and colleagues
• Embedded values and behaviours
• Sage Foundation support

COVID-19
• All colleagues working from home
• Networking groups and eLearning
• Support for physical and mental wellbeing

KPIs: eNPS, which in turn drives customer NPS
Innovation – Sage Business Cloud vision
Enabling organizations to thrive in the era of digital transformation
Innovation – highlights
Solving customer problems by doing things differently

H1 20 progress – Small
• Sage Accounting Professional soft launch in UK
• CakeHR cloud solution for small businesses

H1 20 progress – Medium
• Sage Intacct growth in new geographies
• Sage Intacct Construction launched

Sage Business Cloud environment
• Trust Fabric blockchain initiative with AWS
• Sage AI Labs created
• Sage Business Cloud Marketplace launched

KPIs: Sage Business Cloud penetration and availability of cloud native solutions
# Innovation – Sage Business Cloud portfolio

<table>
<thead>
<tr>
<th>Cloud Connected</th>
<th>Cloud Native</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accounting &amp; Financials</strong></td>
<td><strong>People &amp; Payroll</strong></td>
</tr>
<tr>
<td>MEDIUM</td>
<td></td>
</tr>
<tr>
<td>Sage X3</td>
<td>Sage Intacct</td>
</tr>
<tr>
<td>Sage 200 Cloud</td>
<td></td>
</tr>
<tr>
<td>SMALL</td>
<td></td>
</tr>
<tr>
<td>Sage 50 Cloud</td>
<td>Sage Accounting</td>
</tr>
<tr>
<td>Sage 50 Payroll</td>
<td>CakeHR</td>
</tr>
<tr>
<td>Sage 50 Payroll</td>
<td>Sage Payroll</td>
</tr>
<tr>
<td>Sage Service Fabric</td>
<td></td>
</tr>
</tbody>
</table>
FY20 guidance

As a result of COVID-19, we expect:

• Organic recurring revenue growth to be below the previously guided range of 8% to 9%

• Decline in other revenue (SSRS and processing) to accelerate significantly in the second half

• An associated impact on margin
Key messages

- Strong first half
- Resilient business
- Investing for the long term
Q&A

#SageResults
Strategic KPIs

ARR: +10%
Subscription penetration: 62%
Sage Business Cloud penetration: 56%
Renewal by value: 101%
Appendix
Balance sheet strength

Net debt leverage ratio: 0.5x
Cash and available liquidity: £1.3bn
Cash and cash equivalents: £912m
Undrawn facilities: £413m

Debt facilities:
- Syndicated multi-currency Revolving Credit Facility of £715m, expiring in February 2025, with £302m (H1 19: £274m) drawn as at 31 March 2020
- Syndicated Term Loan of £200m put in place in September 2019, expiring in September 2021 and fully drawn
- US private placement loan notes totalling £519m (H1 19: £497m), with a range of maturities between May 2020 and May 2025
Glossary

Measure/Description

**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 and profit) 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; and
- Adjust the comparative period to present prior period acquired businesses as if they had been part of the Group throughout the prior period.

Acquisitions and disposals where the revenue and contribution impact would be immaterial are not adjusted.

**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 (as reported) Operating Profit.

**EBITDA**

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

**Annualised recurring revenue**

Annualised recurring revenue (“ARR”) is the normalised organic 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 ARR from renewals, migrations, upsell and cross-sell of active customers at the start of the year, divided by the opening ARR for the year.
<table>
<thead>
<tr>
<th>Measure/Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</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>% Subscription Penetration</td>
<td>Organic software subscription revenue as a percentage of organic total revenue.</td>
</tr>
<tr>
<td>Return on Capital Employed</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>
</tbody>
</table>
### Glossary – Revenue types

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurring revenue</strong></td>
<td>Recurring revenue is revenue earned from customers for the provision of a good or service over a contractual term, with the customer being unable to continue to benefit from the full functionality of the good or service without ongoing payments.</td>
</tr>
<tr>
<td>Subscription contracts</td>
<td>Subscription revenue is recurring revenue earned from customers for the provision of a good or service over a contractual term. In the event that the customer stops paying, they lose the legal right to use the software and the Group has the ability to restrict the use of the product or service.</td>
</tr>
<tr>
<td>Maintenance and support contracts</td>
<td>Subscription revenue and maintenance and support revenue are usually recognised on a straight-line basis over the term of the contract as control is transferred to the customer (including non-specified upgrades, when included). An exception is revenue from term licences embedded within a subscription contract for software with significant standalone functionality which are expected to recur upon renewal of the subscription offering. Revenue for these term licences is recognised when control is transferred at inception of each subscription contract period.</td>
</tr>
<tr>
<td><strong>Other revenue</strong></td>
<td>Perpetual software licences with significant standalone functionality and specified upgrades revenue are recognised when the control relating to the licence has been transferred. This is when the goods have left the warehouse to be shipped to the customer or when electronic delivery has taken place.</td>
</tr>
<tr>
<td>Perpetual software licences</td>
<td>Other product revenue (which includes hardware and stationery) is recognised as the products are shipped to the customer.</td>
</tr>
<tr>
<td>Upgrades to perpetual licences</td>
<td>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>Professional services</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>
<tr>
<td>Training</td>
<td></td>
</tr>
<tr>
<td>Hardware and stationery</td>
<td></td>
</tr>
<tr>
<td>Payment processing services</td>
<td></td>
</tr>
<tr>
<td>Payroll processing services</td>
<td></td>
</tr>
</tbody>
</table>
Thank you