

# H1 21 Investor factsheet

## Overview and financial performance



### About Sage

Sage is the global market leader for technology that provides small and medium sized 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



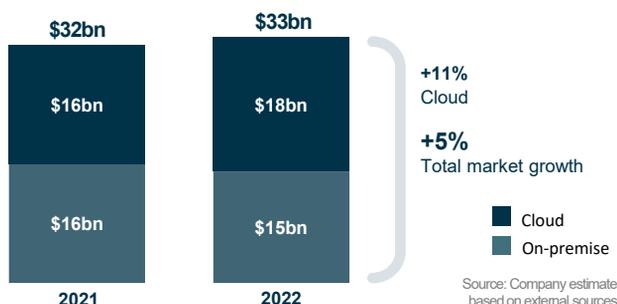
**Jonathan Howell**  
CFO

### Investment case

- ✓ **High quality recurring revenue**  
H1 21: 4% growth in ARR to £1.6bn, with 91% recurring revenue
- ✓ **Strategic investment to drive growth**  
H1 21: 20.2% organic operating margin
- ✓ **Strong free cash flow**  
H1 21: underlying cash conversion of 133%
- ✓ **Robust balance sheet**  
H1 21: £1.4bn of cash and available liquidity

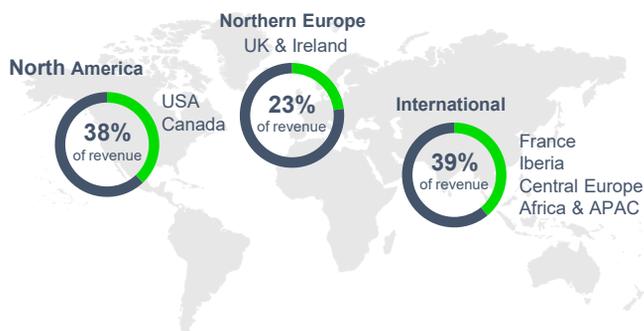
### Total addressable market

- Sage's total addressable market is worth \$32bn including 67m businesses
- The market is growing at 5% with cloud spend increasing by 11%



### Our global reach

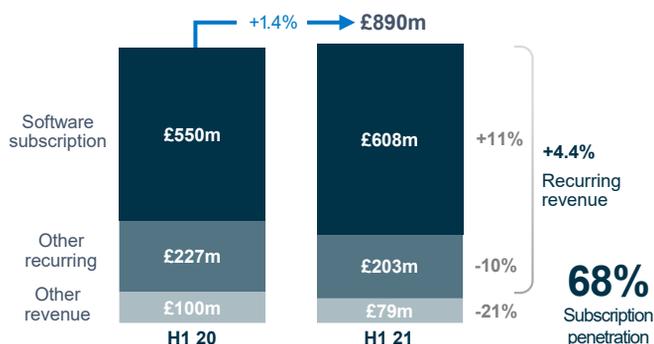
Sage serves millions of customers around the world:



### Revenue categories

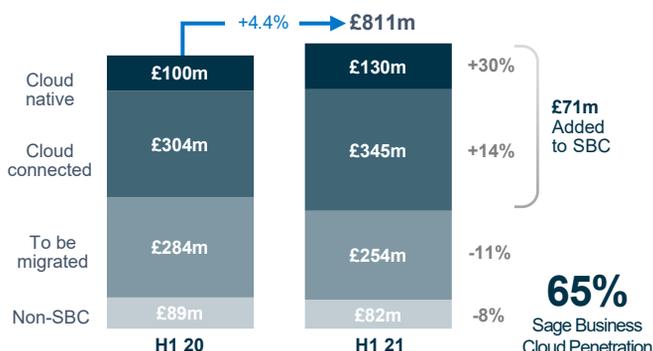
In H1 21 Sage achieved organic total revenue of £890m:

- Recurring revenue of £811m, including software subscription and other recurring revenue (i.e. maintenance & support from on-plan customers)
- Other revenue of £79m, mainly licences and professional services
- Over time, subscription will continue to grow within the revenue mix, while other revenue will continue to decline, in line with our strategy



### Portfolio view of recurring revenue

- Sage Business Cloud is a portfolio of unified cloud native and cloud connected solutions for small and medium sized businesses
- Sage continues to migrate existing customers and attract new customers to Sage Business Cloud, which added £71m of revenue in H1 21
- Management are focused on value creation paths, including disposals, for 'Non-Sage Business Cloud' products and solutions



Financial performance	H1 21	H1 20	Growth
Organic recurring revenue	£811m	£777m	+4.4%
Organic total revenue	£890m	£877m	+1.4%
Organic operating profit	£180m	£204m	-12%
Organic operating margin %	20.2%	23.2%	-3 ppts

FY 21 Guidance	
Recurring revenue growth	Towards the top end of the 3% to 5% range
Other revenue	To continue to decline, in line with strategy
Organic operating margin	Up to 3 percentage points below last year, reflecting additional strategic investment

### 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

### Strategy



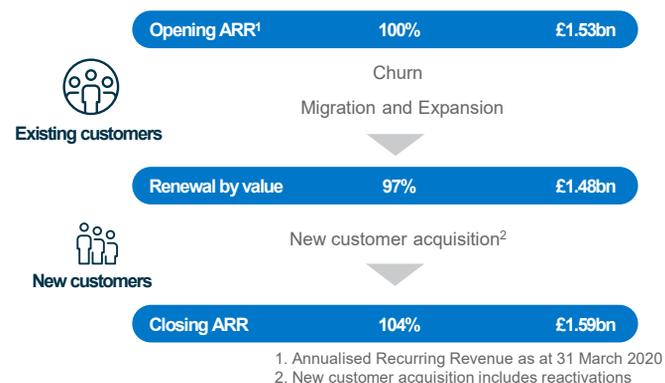
## Sage Business Cloud portfolio

Sage's cloud native and cloud connected solutions enable customers to be more productive, resilient and flexible. Sage is innovating to enrich these solutions, providing a digital environment of applications and services that make it easier for customers to connect, collaborate and do business.

	Cloud Connected	Cloud Native	
	Accounting & Financials	People & Payroll	
Medium	sage 200cloud	sage Intacct	sage People
Small	sage 50cloud sage 50 Payroll	sage Accounting	sage HR sage Payroll
Sage Service Fabric			

## How Sage builds ARR

- Sage increased ARR by 4% to **£1.6bn** in H1 21
- Sage seeks to minimise churn, deliver increased value to existing customers and attract new customers to Sage Business Cloud



## Sage Business Cloud digital environment

Our technology strategy is focused on developing the digital environment. By enhancing the services available through Sage Business Cloud, we are making the environment more compelling to customers, increasing the number of users, and growing the value of the network. Benefits include:

- Solutions that enable customers to digitise their businesses
- Modern ways of interaction that reflect humans doing new, more valuable work
- Consistent design and experience that creates comfort and confidence
- A network that enables customers to work digitally across their ecosystems
- An environment that learns from all to deliver powerful AI capabilities

## Sage is investing to accelerate growth



- Sage Business Cloud adoption and growth remains our key priority
- We are focused on accelerating cloud native (fully hosted) solutions, supporting customers in their digital transformation journeys
- We are making additional strategic investments to accelerate growth across Sage Business Cloud, focusing on sales & marketing; R&D, innovation and AI; and strategic partnerships and M&A.
- We are committed to further enhancing SaaS capabilities, based on our customer-centric, fast-paced and inclusive culture

Sage is making additional investment in sales & marketing and R&D to drive growth, resulting in a planned reduction in FY21 organic operating margin of up to 3 percentage points

## Capital allocation priorities



Broad range of 1.0x – 2.0x net debt to EBITDA over the medium term, with flexibility to move outside this range as the business needs require