

H1 22 Investor factsheet

Overview and financial performance



About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of Small and Mid-Sized Businesses served by us, our partners and accountants. Customers trust our finance, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, our digital network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology and experience to tackle digital inequality, economic inequality and the climate crisis.

Meet the team



Steve Hare
CEO



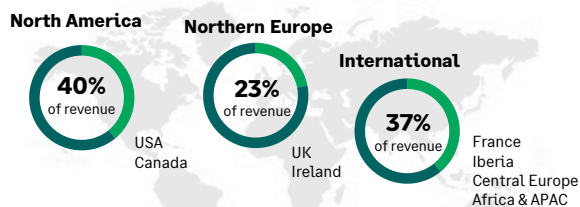
Jonathan Howell
CFO

Investment case

- **High quality recurring revenue**
10% growth in Annualised Recurring Revenue (ARR) to £1.8bn, with 94% recurring revenue
- **Investment driving growth and margin**
19.9% organic operating margin
- **Strong free cash flow**
Underlying cash conversion of 120%
- **Robust balance sheet**
£1.2bn of cash and available liquidity

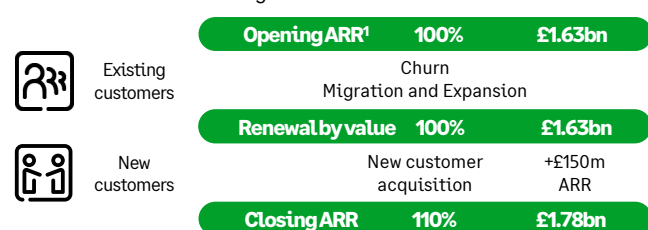
Our global reach

Sage serves millions of customers around the world:



How Sage builds ARR

- Sage increased ARR by 10% to £1.8bn in H1 22
- Sage seeks to attract new customers to Sage Business Cloud, deliver increased value to existing customers and minimise churn

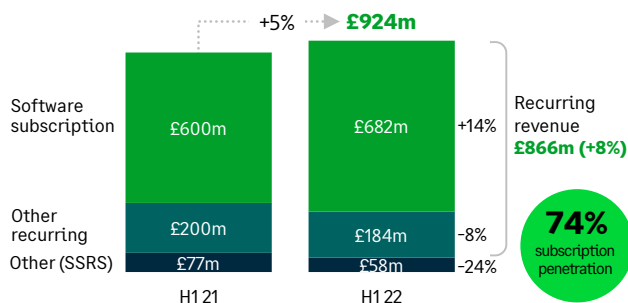


1. As at the end of the comparative period (31 March 2021) on an organic basis

Revenue categories

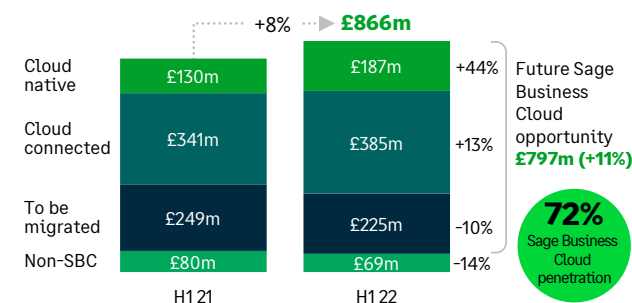
In H1 22 Sage achieved organic total revenue of £924m:

- Recurring revenue of £866m, including software subscription and other recurring revenue (i.e. maintenance & support from on-plan customers)
- Other revenue of £58m, mainly professional services and licences
- 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 mid-sized businesses
- Sage continues to migrate existing customers and attract new customers to Sage Business Cloud, adding £101m of revenue in H1 22
- Management are focused on value creation paths for 'Non-Sage Business Cloud' products and solutions



Financial performance	H1 22	H1 21	Growth
Organic recurring revenue	£866m	£800m	+8%
Organic total revenue	£924m	£877m	+5%
Organic operating profit	£184m	£177m	+4%
Organic operating margin %	19.9%	20.2%	-0.3 ppts

FY22 Guidance	
Recurring revenue growth	In the region of 8% to 9%
Other revenue	To continue to decline, in line with strategy
Organic operating margin	Expected to trend upwards in FY22 and beyond, as we focus on scaling the Group

Purpose

To knock down barriers so everyone can thrive

Ambition

To be the trusted network for small and mid-sized businesses

Strategic priorities

Scale Sage Intacct

Expand medium beyond financials

Build the small business engine

Scale the network

Learn and disrupt

Stakeholders

Customers

Colleagues

Stakeholders

Society

Values

We do the right thing

Human

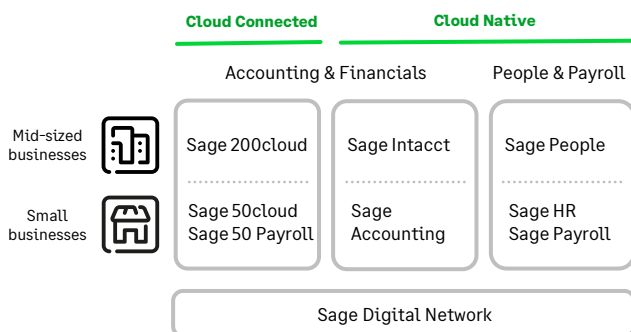
Bold

Trust

Simplicity

Sage Business Cloud portfolio

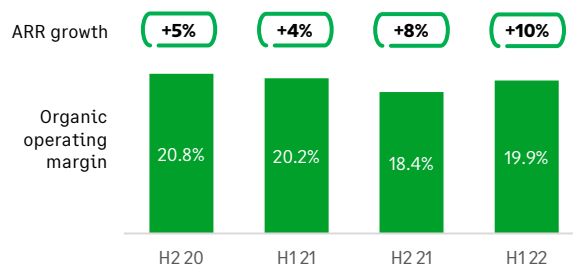
Sage's cloud native and cloud connected solutions enable customers to be more productive, resilient and flexible.



Investment driving growth and margin

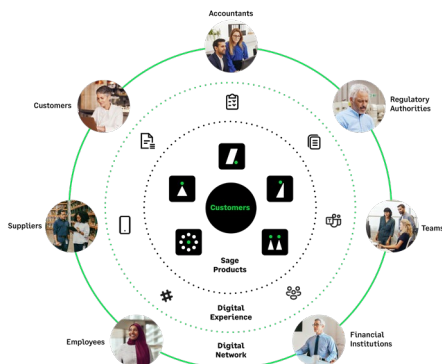
- Sage continues to invest in the business to accelerate growth
- We expect the level of spend to increase at a slower rate than revenue, resulting in margin trending upwards in FY22 and beyond

Progression over last two years



Sage's digital network

Our ambition is to be the trusted network for small and mid-sized businesses, delivering an integrated experience of digital and human connections. Sage's network facilitates the smooth flow of work and money between organisations and everyone they need to connect with.



Customer benefits of Sage's digital network

- Efficiency** – digital services that automate workflows and interactions between businesses
- Business outcomes** – helping customers overcome challenges and gain better insights
- Trust** – through verified digital identities and a shared ledger

Driving innovation & growth

Attracting more customers to the digital network means more network activity and therefore more data. Through artificial intelligence and machine learning, this powers the insights we need to build more innovative and compelling customer experiences, which in turn attracts more customers.

Strategic flywheel



Capital allocation priorities

1. Organic investment

2. M&A

3. Grow the dividend over time

4. Consider returning surplus capital

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