The Sage Group plc
Results for the six months to 31 March 2024 (unaudited)
16 May 2024

Strong performance driven by innovation

Steve Hare, Chief Executive Officer, commented:

"Sage performed well in the first half of the year, delivering broad-based revenue growth and significant margin expansion. Demand for our solutions remains robust, with small and mid-sized businesses continuing to trust Sage to automate their accounting, HR and payroll workflows.

"We are resolutely focused on innovation, as both a source of near-term competitive advantage and a foundation for our long-term success. We continue to introduce new AI-powered products and services that deliver enhanced productivity and insights, driving value for both existing and new customers.

"As we look forward, despite the ongoing macroeconomic uncertainty, I am confident that Sage's proven strategy, underpinned by continued investment, will enable us to deliver further efficient growth."

Underlying Financial APMs[1]	**H1 24**	**H1 23**[2]	**Change**	**Organic Change**
Annualised Recurring Revenue (ARR)	£2,253m	£2,034m	+11%	+11%
Underlying Total Revenue	£1,152m	£1,052m	+10%	+9%
Underlying Operating Profit	£254m	£215m	+18%	+18%
% Operating Profit Margin	*22.0%*	*20.4%*	*+1.6 ppts*	*+1.6 ppts*
EBITDA	£299m	£262m	+14%	
% EBITDA Margin	*25.9%*	*24.9%*	*+1.0 ppts*	
Underlying Basic EPS (p)	18.2p	14.8p	+23%	
Underlying Cash Conversion	127%	117%	+10 ppts	
Statutory Measures	**H1 24**	**H1 23**	**Change**	
Revenue	£1,152m	£1,087m	+6%	
Operating Profit	£215m	£157m	+38%	
% Operating Profit Margin	*18.7%*	*14.4%*	*+4.3 ppts*	
Basic EPS (p)	15.3p	9.8p	+57%	
Dividend Per Share (p)	6.95p	6.55p	+6%	

Please note that tables may not cast and change percentages may not calculate precisely due to rounding.

Financial highlights

- Underlying total revenue increased by 10% to £1,152m, reflecting continued robust demand for our solutions and services.
- Underlying operating profit increased by 18% to £254m, with margin increasing by 160 basis points to 22.0% driven by operating efficiencies as we scale the business.
- EBITDA increased by 14% to £299m, with margin increasing by 100 basis points to 25.9%.
- Statutory operating profit increased by 38% to £215m reflecting growth in underlying operating profit together with lower restructuring and M&A-related charges.
- Underlying basic EPS increased by 23% to 18.2p.

[1] See Appendix 1 for full definitions and guidance on the usage of the Alternative Performance Measures.

[2] To aid comparability, underlying and organic measures for the prior period have been retranslated at current period exchange rates and exclude recurring and non-recurring items, while organic measures also adjust for the impact of acquisitions and disposals. A reconciliation of underlying and organic measures to statutory measures is set out on pages 6 and 7. Underlying and organic measures are defined in Appendix 1.

All references to revenue, profit and margin are on an underlying basis unless otherwise stated.

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- Strong underlying cash conversion of 127%, reflecting continued growth in subscription revenue and good working capital management.
- Robust balance sheet, with £1.1bn of cash and available liquidity, and net debt to EBITDA of 1.4x.
- Interim dividend up 6% to 6.95p, in line with our progressive policy.

Strategic and operational highlights

- Underlying annualised recurring revenue (ARR) up 11% to £2,253m, reflecting growth across all regions balanced between new and existing customers.
- Renewal rate by value of 102%, ahead of last year (H1 23: 101%), reflecting increased sales to existing customers and continued good retention rates.
- Sage Business Cloud revenue increased by 18% to £915m (H1 23: £777m), including cloud native revenue growth of 25% to £353m (H1 23: £283m).
- Subscription penetration increased to 81% (H1 23: 79%) driven by growth in subscription revenue of 14% to £937m (H1 23: £826m).
- Strong strategic progress as we further expand our global cloud solutions across the Group and deepen our vertical-specific capabilities, complemented by the acquisition of Bridgetown Software.
- We continue to scale the Sage Network to power innovative features and services, including the recent introduction of Sage Copilot, our generative AI-powered digital assistant.

Outlook

Looking ahead, we expect organic total revenue growth for full year FY24 to be broadly in line with the first half. We continue to expect operating margins to trend upwards in FY24 and beyond, as we focus on efficiently scaling the Group.

About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and mid-sized businesses (SMBs) 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.

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A presentation for investors and analysts will be held at 8.30am UK time. The webcast can be accessed via sage.com/investors or directly via the following link: https://edge.media-server.com/mmc/p/qbfs84ws. To join the conference call, please register via https://register.vevent.com/register/BI638ccf3d921a442e9fb8c03003087535.

Business Review

Sage delivered strong, broad-based revenue growth in the first half of FY24, together with continued margin expansion, significant growth in earnings per share, and robust cash flows. This performance was driven by continued progress against our strategic priorities, our breadth and diversity, and the resilience of our business model.

Overview of results

The Group increased underlying total revenue by 10% to £1,152m (H1 23: £1,052m), with all our regional markets contributing to growth. In North America, revenue grew by 13%, with a good performance from Sage Intacct supported by Sage 50 cloud and Sage 200 cloud. In the UKIA[3] region, revenue increased by 8% driven by cloud solutions for small businesses together with Sage Intacct. In Europe, revenue increased by 6%, with growth across our accounting, HR and payroll solutions.

Throughout the Group, our principal focus is to grow Sage Business Cloud, comprising our cloud native[4] and cloud connected[5] solutions, by attracting new customers and delivering further value to existing customers. Sage Business Cloud solutions enable customers to benefit from a range of cloud services as part of the Sage Network, leading to deeper customer relationships and higher lifetime values.

As a result, Sage Business Cloud total revenue increased by 18% to £915m (H1 23: £777m), driven by growth in cloud native revenue of 25% to £353m (H1 23: £283m) primarily through new customer acquisition, and by growth in cloud connected revenue from both existing and new customers.

Underlying recurring revenue increased by 11% to £1,112m (H1 23: £1,005m), with software subscription revenue up by 14% to £937m (H1 23: £826m) leading to subscription penetration of 81% (H1 23: 79%). As a result of the evolving business mix, 97% of the Group's revenue is now recurring.

On an organic basis, total revenue grew by 9% to £1,152m (H1 23: £1,053m), while recurring revenue increased by 11% to £1,112m (H1 23: £1,006m).

ARR growth

Sage's underlying ARR increased by 11% to £2,253m (H1 23: £2,034m), reflecting strong growth balanced between new and existing customers. Organic ARR also increased by 11% to £2,253m (H1 23: £2,036m).

Renewal rate by value of 102% (H1 23: 101%) is ahead of last year reflecting good retention rates and strong sales to existing customers, including a good performance in customer add-ons and targeted price rises. In total, Sage has added £190m of ARR through new customer acquisition on an organic basis over the last 12 months, up from £180m[6] a year earlier.

Performance by region

North America	**H1 24**	**H1 23**	**Change**	**Organic change**
US	£454m	£400m	14%	13%
Canada	£66m	£60m	10%	10%
Underlying total revenue	**£520m**	**£460m**	**13%**	**13%**

In North America, underlying total revenue increased by 13% to £520m, with broad-based growth across Sage's key accounting solutions, particularly among mid-sized businesses. Recurring revenue grew by 14% to £506m (H1 23: £445m), while subscription penetration increased to 80%, up from 77% in the prior period.

In the US, total revenue increased by 14% to £454m, with growth moderating slightly compared to the prior year. Sage Intacct, which now represents over 40% of US revenue, grew by 27% to £186m (H1 23: £147m). Growth was strong across multiple verticals, particularly not-for-profit and construction & real estate, with the latter benefitting from the recent launch of the Sage Construction Management suite.

[3] United Kingdom, Ireland, Africa and APAC.

[4] Cloud native solutions run in a cloud environment enabling access to up-to-date functionality at any time, from any location, via the internet.

[5] Cloud connected solutions are deployed on premise with significant functionality delivered through the cloud.

[6] Retranslated at current year exchange rates.

Revenue growth in the US was also driven by Sage 200 cloud, Sage 50 cloud and Sage X3, reflecting good levels of upsell to existing customers and higher pricing, together with growth from new customers.

In Canada, total revenue grew by 10% to £66m, driven mainly by Sage 50 cloud which saw strong renewals and increased new customer acquisition, together with growth in Sage 200 cloud. Sage Intacct also grew strongly off a small base, as we continue to expand Sage Intacct's geographical reach beyond the US.

UKIA	**H1 24**	**H1 23**	**Change**	**Organic change**
UK & Ireland	£249m	£233m	7%	7%
Africa & APAC	£79m	£71m	12%	12%
Underlying total revenue	**£328m**	**£304m**	**8%**	**8%**

In the UKIA region, underlying total revenue increased by 8% to £328m, with continuing strength across the portfolio including accounting, HR and payroll solutions. Recurring revenue also grew by 8% to £321m (H1 23: £296m), while subscription penetration was 89%, in line with the prior period.

In the UK & Ireland, total revenue grew by 7% to £249m. Sage Intacct made a significant contribution, benefitting from strong new customer wins, particularly through the partner channel, and momentum continued to strengthen throughout the first half.

Alongside Sage Intacct, Sage's cloud native solutions for small businesses, including Sage Accounting, Sage Payroll and Sage HR delivered good levels of growth, mainly through new customer acquisition. Revenue was also driven by growth in accountancy practice management tools, supported by the continued adoption of Sage for Accountants.

In addition, Sage 50 cloud and Sage 200 cloud continued to perform well, with growth driven mainly by existing customers through good levels of upsell and higher pricing.

In Africa and APAC, total revenue grew by 12% to £79m, with strong growth in Sage Accounting, Sage Payroll and Sage HR driven by good levels of new customer acquisition, while Sage Intacct also performed well, off a small base. In addition, local products within the Sage 200 cloud and Sage 50 cloud franchises continued to contribute to growth.

Europe	**H1 24**	**H1 23**	**Change**	**Organic Change**
France	£154m	£146m	5%	5%
Central Europe	£74m	£70m	6%	6%
Iberia	£76m	£72m	6%	6%
Underlying total revenue	**£304m**	**£288m**	**6%**	**6%**

Europe achieved underlying total revenue growth of 6% to £304m, reflecting a strong performance particularly in Sage 200 cloud, Sage 50 cloud, HR and payroll solutions. Recurring revenue grew by 8% to £285m (H1 23: £264m), while subscription penetration grew to 75%, up from 69% in the prior period.

In France, total revenue grew by 5% to £154m driven by accounting solutions. Sage 200 cloud was a significant contributor to growth, as was Sage X3 which continued to benefit from strong demand. Solutions for accountants performed well, driven by accelerated upsell of add-ons. Payroll solutions also contributed to growth within the region.

Central Europe achieved a total revenue increase of 6% to £74m. Cloud HR and payroll solutions, which represent around half of Central Europe's revenue, grew particularly strongly, driven by upsell to existing customers together with new customer wins. Growth in Central Europe was also driven by Sage 200 cloud, mainly through growth in sales to existing customers.

In Iberia, total revenue grew by 6% to £76m, reflecting strength across Sage 200 cloud and Sage 50 cloud, driven by renewals, higher pricing and new customers. Growth was further driven by continued demand for HR and payroll solutions for both small and mid-sized businesses. Iberia also achieved good levels of growth from accountants, complemented by the recent launch of Sage for Accountants in Spain.

Progress towards our strategic priorities

Sage focuses on five strategic priorities that help us create long-term value for our stakeholders, as part of our strategic framework for growth. Our progress towards these priorities is outlined below.

- **Scale Sage Intacct**: We continue to scale Sage Intacct by enhancing its core functionality, deepening its vertical-specific capabilities (with particular progress in non-profit, construction and healthcare) and expanding its geographical reach. Having focused initially on establishing Sage Intacct in our English-speaking markets, we launched the solution in France last year, where traction is now starting to build, and have now also introduced it in Germany. Reflecting this progress, Sage Intacct's ARR grew by around a quarter in the US, and by two thirds outside the US, compared to the prior year.
- **Expand medium beyond financials**: We aim to deliver benefits for mid-sized businesses beyond core accounting, including by increasingly focusing our customer proposition on integrated solution suites rather than discrete products. We recently launched Sage Construction Management in North America, adding preconstruction and project management capabilities to our popular construction suite, while Sage Distribution and Manufacturing Operations (SDMO) continues to gain early traction across our markets.
- **Build the small business engine**: Our small business solutions continue to drive growth in key markets. In the UK we have launched Sage for Small Business, a fully integrated suite which brings together the capabilities of Sage Accounting, Sage Payroll and Sage HR into a single solution with simplified pricing. We continue to make progress with accountants, with Sage for Accountants now adopted by over 12,000 practices in the UK, up from 5,000 a year ago. We have also launched Sage for Accountants in Canada, and refreshed our accountant proposition in France, Spain and South Africa.
- **Scale the network:** The Sage Network is our platform of products and services that connects business ecosystems and digitally transforms customer workflows. We drive network participation by expanding connected services, such as accounts payable automation, which continues to scale rapidly. In April we introduced an early adopter programme for Sage Copilot, our generative AI-powered digital assistant, which automates key tasks and provides business insights through natural language interaction. Initially launched to Sage Accounting customers in the UK, we intend to expand Sage Copilot to customers of both cloud native and cloud connected solutions over time.
- **Learn and disrupt:** We continue to invest in disruptive technologies to drive innovation and enhance our products. During the first half, we expanded our partnership with Amazon Web Services (AWS) to include developing a domain-specific large language model (LLM) for accounting and compliance, which will serve as a robust foundation for future generative AI-based accounting applications. We will also make Sage Earth, our carbon accounting solution, available through the AWS marketplace.

Sustainability and Society

Through our Sustainability and Society strategy, we aim to support sustainable and inclusive economic growth so everyone can thrive. Sage has an ESG rating of 'AAA' from MSCI and a Climate Change score of 'A-' from CDP.

Sage is committed to achieving net zero carbon emissions by 2040, and supports SMBs in their own climate action initiatives. In November we published our net zero transition plan including measures to achieve our SBTi-validated interim target of halving emissions by 2030. We also aim to make technology more inclusive and responsible, innovating to empower SMBs and using data to create a positive social impact. Through Sage Foundation, colleagues, their families and our partners dedicated more than 63,000 volunteering hours to their communities during the first half.

Sage also fosters a high-performance culture among colleagues, based on accountability and inclusivity. We seek to embed Diversity, Equity and Inclusion (DEI) into everyday business processes and decisions, to drive diversity of thought. Currently 39% of leadership teams meet our FY26 gender diversity target[7], up from 34% at the end of FY23.

[7] Global gender diversity target of no more than 60% of any one gender, in any leadership team, anywhere in Sage, by FY26.

Financial Review

The financial review provides a summary of the Group's results on a statutory and underlying basis, alongside its organic performance. Underlying measures allow management and investors to understand the Group's financial performance adjusted for the impact of foreign exchange movements and recurring and non-recurring items, while organic measures also adjust for the impact of acquisitions and disposals[8].

Statutory and underlying financial results

Financial results	Statutory			Underlying		
	H1 24	**H1 23**	**Change**	**H1 24**	**H1 23**	**Change**
North America	£520m	£483m	+8%	£520m	£460m	+13%
UKIA	£328m	£311m	+5%	£328m	£304m	+8%
Europe	£304m	£293m	+4%	£304m	£288m	+6%
Total revenue	**£1,152m**	**£1,087m**	**+6%**	**£1,152m**	**£1,052m**	**+10%**
Operating profit	£215m	£157m	+38%	£254m	£215m	+18%
% Operating profit margin	*18.7%*	*14.4%*	*+4.3 ppts*	*22.0%*	*20.4%*	*+1.6 ppts*
Profit before tax	£203m	£139m	+47%	£242m	£198m	+22%
Profit after tax	£156m	£100m	+56%	£186m	£151m	+23%
Basic EPS	15.3p	9.8p	+57%	18.2p	14.8p	+23%

The Group achieved statutory and underlying total revenue of £1,152m in H1 24. Statutory total revenue increased by 6% compared to the prior year, reflecting underlying total revenue growth of 10%, partly offset by a 4-percentage point foreign exchange headwind, particularly in North America.

Statutory operating profit increased by 38% to £215m, reflecting an 18% increase in underlying operating profit to £254m, together with a £31m decrease in recurring and non-recurring items[9], mainly relating to non-recurring property restructuring charges in the prior period and lower M&A-related charges.

Statutory basic EPS increased by 57% to 15.3p, reflecting higher statutory operating profit, lower statutory net finance costs and the post-tax impact of recurring and non-recurring items. Underlying basic EPS increased by 23% to 18.2p, primarily reflecting higher underlying operating profit and lower underlying net finance costs.

Revenue – underlying and organic reconciliation to statutory

Total revenue bridge	H1 24	H1 23	Change
Statutory	**£1,152m**	**£1,087m**	**+6%**
Recurring items	-	-	
Impact of FX	-	(£35m)	
Underlying	**£1,152m**	**£1,052m**	**+10%**
Disposals	-	-	
Acquisitions	-	£1m	
Organic	**£1,152m**	**£1,053m**	**+9%**

Statutory, underlying and organic total revenue was £1,152m in H1 24. Underlying revenue in H1 23 of £1,052m reflects statutory revenue of £1,087m retranslated at current year exchange rates, resulting in a foreign exchange headwind of £35m. Organic revenue in H1 23 of £1,053m reflects underlying revenue of £1,052m, adjusted for £1m of revenue from Corecon which was acquired during FY23.

[8] Underlying and organic revenue and profit measures are defined in Appendix 1.

[9] Recurring and non-recurring items are defined in Appendix 1, and detailed on page 7 and in note 3 of the financial statements.

Operating profit

The Group increased underlying and organic operating profit by 18% to £254m (H1 23: £215m). Underlying and organic operating margin increased by 160 basis points to 22.0% (H1 23: 20.4%), driven by operating efficiencies as we scale the business.

Operating profit – underlying and organic reconciliation to statutory

Operating profit bridge	H1 24		H1 23	
	Operating profit	Operating margin	Operating profit	Operating margin
Statutory	**£215m**	**18.7%**	**£157m**	**14.4%**
Recurring items[10]	£43m	–	£50m	–
Non-recurring items:				
• *Reversal of employee-related costs*	(£3m)	–	–	–
• *Reversal of restructuring costs*	(£1m)	–	–	–
• *Property restructuring*	–	–	£20m	–
Impact of FX	–	–	(£12m)	–
Underlying	**£254m**	**22.0%**	**£215m**	**20.4%**
Disposals	–	–	–	–
Acquisitions	–	–	–	–
Organic	**£254m**	**22.0%**	**£215m**	**20.4%**

The Group achieved a statutory operating profit in H1 24 of £215m (H1 23: £157m). Underlying operating profit of £254m in H1 24 reflects statutory operating profit adjusted for recurring and non-recurring items.

Recurring items of £43m (H1 23: £50m) comprise £26m of amortisation of acquisition-related intangibles (H1 23: £26m) and £17m of M&A related charges (H1 23: £24m). Non-recurring items in H1 24 comprise a £3m reversal of employee-related charges for French payroll taxes relating to previous years and a £1m reversal of restructuring costs. Non-recurring items in H1 23 comprised property restructuring charges of £20m.

In addition, the retranslation of H1 23 operating profit at current year exchange rates has resulted in an operating profit headwind of £12m. This has led to a 40-basis point margin headwind from foreign exchange to 20.4% (H1 23 underlying as reported: 20.8%).

EBITDA

EBITDA was £299m (H1 23: £262m) representing a margin of 25.9%. The increase in EBITDA reflects the growth in underlying operating profit, together with a £3m reduction in underlying depreciation and amortisation to £24m (H1 23: £27m) as a result of property restructuring.

	H1 24	H1 23	Margin
Underlying operating profit	**£254m**	**£215m**	**22.0%**
Depreciation & amortisation	£24m	£27m	
Share based payments	£21m	£20m	
EBITDA	**£299m**	**£262m**	**25.9%**

Net finance cost

The statutory net finance cost for the period decreased to £12m (H1 23: £18m), reflecting higher interest income on deposits, and is in line with the underlying net finance cost of £12m (H1 23: £17m).

[10] Recurring and non-recurring items are defined in Appendix 1 and detailed in note 3 of the financial statements.

Taxation

The underlying tax expense for H1 24 was £56m (H1 23: £47m), resulting in an underlying tax rate of 23% (H1 23: 24%). The H1 24 underlying tax rate has decreased due to the benefit of higher tax incentive claims in the UK and US.

The statutory income tax expense for H1 24 was £47m (H1 23: £39m), resulting in a statutory tax rate of 23% (H1 23: 28%). The difference between the underlying and statutory rate in H1 23 primarily reflects non-deductible M&A activity-related items.

Earnings per share

	H1 24	H1 23	Change
Statutory basic EPS	15.3p	9.8p	+57%
Recurring items	3.2p	4.5p	
Non-recurring items	(0.3)p	1.4p	
Impact of foreign exchange	–	(0.9)p	
Underlying basic EPS	**18.2p**	**14.8p**	**+23%**

Underlying basic EPS increased by 23% to 18.2p. Statutory basic earnings per share increased by 57%, reflecting the increase in underlying basic earnings per share together with the change in post-tax impact of recurring and non-recurring items, including property restructuring and higher M&A-related charges in the prior period.

Cash flow

Sage remains highly cash generative with underlying cash flow from operations of £322m (H1 23: £266m), representing underlying cash conversion of 127% (H1 23: 117%). This strong cash performance reflects further growth in subscription revenue and continued good working capital management. Free cash flow of £240m (H1 23: £194m) reflects strong underlying cash conversion.

Cash flow APMs	H1 24	H1 23 (as reported)
Underlying operating profit	£254m	£227m
Depreciation, amortisation and non-cash items in profit	£23m	£27m
Share based payments	£21m	£20m
Net changes in working capital	£35m	£2m
Net capital expenditure	(£11m)	(£10m)
Underlying cash flow from operations	**£322m**	**£266m**
Underlying cash conversion %	*127%*	*117%*
Non-recurring cash items	(£4m)	(£8m)
Net interest paid	(£31m)	(£28m)
Income tax paid	(£46m)	(£35m)
Profit and loss foreign exchange movements	(£1m)	(£1m)
Free cash flow	**£240m**	**£194m**

Statutory reconciliation of cash flow from operations	H1 24	H1 23 (as reported)
Statutory cash flow from operations	**£297m**	**£251m**
Recurring and non-recurring items	£35m	£24m
Net capital expenditure	(£11m)	(£10m)
Other adjustments including foreign exchange translations	£1m	£1m
Underlying cash flow from operations	**£322m**	**£266m**

Net debt and liquidity

Group net debt was £811m at 31 March 2024 (30 September 2023: £561m), comprising cash and cash equivalents of £448m (30 September 2023: £696m) and total debt of £1,259m (30 September 2023: £1,257m). The Group had £1,078m of cash and available liquidity at 31 March 2024 (30 September 2023: £1,326m).

The increase in net debt in the period is summarised in the table below.

	H1 24	H1 23 (as reported)
Net debt at 1 October	**(£561m)**	**(£733m)**
Free cash flow	£240m	£194m
New leases less disposals	(£17m)	(£9m)
Acquisition of businesses	-	(£14m)
M&A and equity investments	(£36m)	(£16m)
Dividends paid	(£129m)	(£123m)
Share buyback	(£306m)	-
FX movement and other	(£2m)	£10m
Net debt at 31 March	**(£811m)**	**(£691m)**

The Group's debt is sourced from sterling and euro denominated bond notes, together with a syndicated multi-currency Revolving Credit Facility (RCF).

The Group's sterling denominated bond notes comprise a £400m 12-year bond, issued in February 2022, with a coupon of 2.875%, and a £350m 10-year bond, with a coupon of 1.625%, issued in February 2021. Sage's euro denominated bond notes comprise €500m of 5-year notes, with a coupon of 3.82%, issued in February 2023 as part of the Group's Euro Medium Term Note (EMTN) programme.

The Group's RCF of £630m expires in December 2028, with an extension option for a further year subject to specific provisions. At 31 March 2024, the RCF was undrawn (H1 23: undrawn).

Sage has an investment grade issuer credit rating assigned by Standard and Poor's of BBB+ (stable outlook).

Capital allocation

Sage's disciplined capital allocation policy is focused on accelerating strategic execution through organic and inorganic investment, and delivering shareholder returns. During the period, Sage completed the acquisition of Bridgetown Software, the developer of BidMatrix, a cloud native bid analysis tool for the construction industry, helping Sage to expand its customer proposition beyond financials.

Sage has a progressive dividend policy, intending to grow the dividend over time while considering the future capital requirements of the Group. Reflecting the Group's strong business performance and cash generation during the first half, we have increased the interim dividend by 6% to 6.95p per share (H1 23: 6.55p).

The Group also considers returning surplus capital to shareholders. On 11 April 2024, Sage completed a share buyback programme, commenced on 22 November 2023, under which a total of 29.3m shares were purchased for an aggregate consideration of £345m and subsequently cancelled.

	H1 24	H1 23 (as reported)
Net debt	£811m	£691m
EBITDA (Last Twelve Months)	£576m	£520m
Net debt/EBITDA Ratio	**1.4x**	**1.3x**

The Group's EBITDA over the last 12 months was £576m, resulting in a net debt to EBITDA leverage ratio of 1.4x, up from 1.3x in the prior year. Sage intends to operate in a broad range of 1x to 2x net debt to EBITDA over the medium term, with flexibility to move outside this range as business needs require.

Group return on capital employed (ROCE) for H1 24 was 23% (H1 23 as reported: 19%).

Going concern

The Directors have robustly tested the going concern assumption in preparing these financial statements, taking into account the Group's strong liquidity position at 31 March 2024 and a number of downside sensitivities, and remain satisfied that the going concern basis of preparation is appropriate. Further information is provided in note 1 of the financial statements on page 18.

Foreign exchange

The Group does not hedge foreign currency profit and loss translation exposures and the statutory results are therefore impacted by movements in exchange rates. The average rates used to translate the consolidated income statement and to normalise prior year underlying and organic figures are as follows:

Average exchange rates (equal to GBP)	**H1 24**	**H1 23**	**Change**
Euro (€)	1.16	1.14	+2%
US Dollar ($)	1.25	1.20	+5%
Canadian Dollar (C$)	1.70	1.62	+5%
South African Rand (ZAR)	23.60	21.13	+12%

Appendix 1 – Alternative Performance Measures

Alternative Performance Measures are used by the Group to understand and manage performance. These are not defined under International Financial Reporting Standards (IFRS) or UK-adopted International Accounting Standards (UK-IFRS) and are not intended to be a substitute for any IFRS or UK-IFRS measures of performance but have been included as management considers them to be important measures, alongside the comparable GAAP financial measures, in assessing underlying performance. Wherever appropriate and practical, we provide reconciliations to relevant GAAP measures. The table below sets out the basis of calculation of the Alternative Performance Measures and the rationale for their use.

MEASURE	DESCRIPTION	RATIONALE
Underlying (revenue and profit) measures	Underlying measures are adjusted to exclude items which in management's judgement need to be disclosed separately by virtue of their size, nature or frequency to aid 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 and unhedged FX on intercompany balances; 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. Recurring items are adjusted each period irrespective of materiality to ensure consistent treatment. Underlying basic EPS is also adjusted for the tax impact of recurring and non-recurring items. All prior period underlying measures (revenue and profit) are retranslated at the current year exchange rates to neutralise the effect of currency fluctuations.	Underlying measures allow management and investors to compare performance without the effects of foreign exchange movements or recurring or non-recurring items. By including part-period contributions from acquisitions, discontinued operations, disposals and assets held for sale of standalone businesses in the current and/or prior periods, the impact of M&A decisions on earnings per share growth can be evaluated.
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.	Organic measures allow management and investors to understand the like-for-like revenue and current period margin performance of the continuing business.
Underlying Cash Flow from Operations	Underlying Cash Flow from Operations is Underlying Operating Profit adjusted for non-cash items, net capital expenditure (excluding business combinations and similar items) and changes in working capital.	To show the cash flow generated by the operations and calculate underlying cash conversion.
Underlying Cash Conversion	Underlying Cash Flow from Operations divided by Underlying (as reported) Operating Profit.	Cash conversion informs management and investors about the cash operating cycle of the business and how efficiently operating profit is converted into cash.

MEASURE	DESCRIPTION	RATIONALE
EBITDA	EBITDA is Underlying Operating Profit excluding underlying depreciation, amortisation and share based payments. Underlying depreciation and amortisation is the statutory equivalent measure, adjusted for the amortisation of acquired intangibles. Underlying share based payments is the statutory equivalent measure, adjusted for M&A-related share based payment charges included within other M&A activity related items.	To calculate the Net Debt to EBITDA leverage ratio and to show profitability before the impact of major non-cash charges.
Annualised recurring revenue	Annualised recurring revenue ("ARR") is the normalised recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by twelve. Adjustments to normalise reported recurring revenue involve adjusting for certain components (such as non-refundable contract sign-up fees) to ensure the measure reflects that part of the revenue base which (subject to ongoing use and renewal) can reasonably be expected to repeat in future periods.	ARR represents the annualised value of the recurring revenue base that is expected to be carried into future periods, and its growth is a forward-looking indicator of reporting recurring revenue growth.
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.	As an indicator of our ability to retain and generate additional revenue from our existing customer base through up and cross sell.
Free Cash Flow	Free Cash Flow is Underlying Cash Flow from Operations minus net interest paid, derivative financial instruments and income tax paid, and adjusted for non-recurring cash items (which excludes net proceeds on disposals of subsidiaries) and profit and loss foreign exchange movements.	To measure the cash generated by the operating activities during the period that is available to repay debt, undertake acquisitions or distribute to shareholders.
% Subscription Penetration	Underlying software subscription revenue as a percentage of underlying total revenue.	To measure the progress of migrating our customer base from licence and maintenance to a subscription relationship.
Return on Capital Employed (ROCE)	ROCE is calculated as underlying Operating Profit, minus amortisation of acquired intangibles, the result being divided by capital employed, which is the average (of the opening and closing balance for the period) total net assets excluding net debt, derivative financial instruments, provisions for non-recurring costs, financial liability for purchase of own shares and tax assets or liabilities.	As an indicator of the current period financial return on the capital invested in the Company. ROCE is used as an underpin in the FY21, FY22 and FY23 PSP awards.
Net debt	Net debt is cash and cash equivalents less current and non-current borrowings.	To calculate the Net Debt to EBITDA leverage ratio and an indicator of our indebtedness.

Consolidated income statement
For the six months ended 31 March 2024

	Note	**Six months ended 31 March 2024 £m**	Six months ended 31 March 2023 £m
Revenue	2	**1,152**	1,087
Cost of sales		**(82)**	(76)
Gross profit		**1,070**	1,011
Selling and administrative expenses		**(855)**	(854)
Operating profit	2	**215**	157
Finance income		**10**	4
Finance costs		**(22)**	(22)
Profit before income tax		**203**	139
Income tax expense	4	**(47)**	(39)
Profit for the period		**156**	100
Profit attributable to:			
Owners of the parent		**156**	100
Earnings per share attributable to the owners of the parent (pence)			
Basic	6	**15.31p**	9.78p
Diluted	6	**15.03p**	9.66p

Consolidated statement of comprehensive income
For the six months ended 31 March 2024

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m
Profit for the period	**156**	100
Items of other comprehensive income that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations and net investment hedges	**(29)**	(93)
Cash flow hedges	**(1)**	(1)
	(30)	(94)
Other comprehensive expense for the period, net of tax	**(30)**	(94)
Total comprehensive income for the period	**126**	6

The notes on pages 18 to 33 form an integral part of this condensed consolidated half-yearly report.

Consolidated balance sheet
As at 31 March 2024

	Note	**31 March 2024 £m**	31 March 2023 £m	30 September 2023 £m
Non-current assets				
Goodwill	7	**2,190**	2,238	2,245
Other intangible assets	7	**245**	288	274
Property, plant and equipment	7	**101**	124	104
Equity investments		**6**	4	4
Trade and other receivables		**136**	125	138
Deferred income tax assets		**73**	35	56
Derivative financial instruments		**13**	2	1
		2,764	2,816	2,822
Current assets				
Trade and other receivables		**391**	367	376
Current income tax asset		**37**	37	42
Cash and cash equivalents (excluding bank overdrafts)	9	**448**	575	696
Assets classified as held for sale	11	**7**	–	–
		883	979	1,114
Total assets		**3,647**	3,795	3,936
Current liabilities				
Trade and other payables		**(371)**	(302)	(378)
Current income tax liabilities		**(26)**	(33)	(25)
Borrowings	9	**(15)**	(16)	(14)
Provisions		**(15)**	(20)	(23)
Deferred income		**(803)**	(770)	(745)
		(1,230)	(1,141)	(1,185)
Non-current liabilities				
Borrowings	9	**(1,244)**	(1,250)	(1,243)
Post-employment benefits		**(20)**	(19)	(19)
Deferred income tax liabilities		**(19)**	(14)	(18)
Provisions		**(27)**	(24)	(24)
Trade and other payables		**(6)**	(14)	(13)
Deferred income		**(5)**	(7)	(7)
Derivative financial instruments		**(8)**	(20)	(20)
		(1,329)	(1,348)	(1,344)
Total liabilities		**(2,559)**	(2,489)	(2,529)
Net assets		**1,088**	1,306	1,407
Equity attributable to owners of the parent				
Ordinary shares	8	**11**	12	12
Share premium	8	**548**	548	548
Other reserves	8	**159**	173	189
Retained earnings		**370**	573	658
Total equity		**1,088**	1,306	1,407

Consolidated statement of changes in equity
For the six months ended 31 March 2024

	Attributable to owners of the parent				
	Ordinary shares £m	**Share premium £m**	**Other reserves £m**	**Retained earnings £m**	**Total equity £m**
At 1 October 2023	**12**	**548**	**189**	**658**	**1,407**
Profit for the period	**–**	**–**	**–**	**156**	**156**
Other comprehensive expense, net of tax					
Exchange differences on translating foreign operations and net investment hedges	**–**	**–**	**(29)**	**–**	**(29)**
Cash flow hedges	**–**	**–**	**(1)**	**–**	**(1)**
Total comprehensive (expense)/income for the period ended 31 March 2024	**–**	**–**	**(30)**	**156**	**126**
Transactions with owners					
Employee share option scheme - value of employee services including deferred tax	**–**	**–**	**–**	**33**	**33**
Proceeds from issuance of treasury shares	**–**	**–**	**–**	**2**	**2**
Cancellation of ordinary shares	**(1)**	**–**	**–**	**1**	**–**
Share buyback programme*	**–**	**–**	**–**	**(351)**	**(351)**
Dividends paid to owners of the parent	**–**	**–**	**–**	**(129)**	**(129)**
Total transactions with owners for the period ended 31 March 2024	**(1)**	**–**	**–**	**(444)**	**(445)**
At 31 March 2024	**11**	**548**	**159**	**370**	**1,088**

*See notes 8 and 13.

	Attributable to owners of the parent				
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 October 2022	12	548	267	570	1,397
Profit for the period	–	–	–	100	100
Other comprehensive expense					
Exchange differences on translating foreign operations and net investment hedges	–	–	(93)	–	(93)
Cash flow hedges	–	–	(1)	–	(1)
Total comprehensive (expense)/income for the period ended 31 March 2023	–	–	(94)	100	6
Transactions with owners					
Employee share option scheme - value of employee services including deferred tax	–	–	–	25	25
Proceeds from issuance of treasury shares	–	–	–	2	2
Purchase of shares by Employee Benefit Trust	–	–	–	(1)	(1)
Dividends paid to owners of the parent	–	–	–	(123)	(123)
Total transactions with owners for the period ended 31 March 2023	–	–	–	(97)	(97)
At 31 March 2023	12	548	173	573	1,306

Consolidated statement of cash flows
For the six months ended 31 March 2024

	Notes	**Six months ended 31 March 2024 £m**	Six months ended 31 March 2023 £m
Cash flows from operating activities			
Cash generated from continuing operations	9	**297**	251
Interest paid		**(41)**	(30)
Income tax paid		**(46)**	(35)
Net cash generated from operating activities		**210**	186
Cash flows from investing activities			
Purchase of equity investment		**(2)**	–
Acquisition of subsidiaries, net of cash acquired	11	**–**	(14)
Purchases of intangible assets	7	**(10)**	(8)
Purchases of property, plant and equipment	7	**(4)**	(2)
Interest received		**11**	4
Net cash used in investing activities		**(5)**	(20)
Cash flows from financing activities			
Proceeds from borrowings	9	**–**	440
Repayments of borrowings	9	**–**	(353)
Capital element of lease payments		**(8)**	(10)
Borrowing costs		**(1)**	(2)
Share buyback programme	8	**(306)**	–
Proceeds from issuance of treasury shares		**2**	2
Purchase of shares by Employee Benefit Trust	8	**–**	(1)
Dividends paid to owners of the parent	5	**(129)**	(123)
Net cash used in financing activities		**(442)**	(47)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts (before exchange rate movement)		**(237)**	119
Effects of exchange rate movement	9	**(11)**	(33)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(248)**	86
Cash, cash equivalents and bank overdrafts at 1 October	9	**696**	489
Cash, cash equivalents and bank overdrafts at period end	9	**448**	575

Notes to the financial information
For the six months ended 31 March 2024

1. Group accounting policies

General information

The Sage Group plc ("the Company") and its subsidiaries (together "the Group") is a leader in accounting, financial, HR and payroll technology for small and mid-sized businesses.

This condensed consolidated half-yearly financial statement was approved for issue by the board of directors on 15 May 2024.

The financial information set out above does not constitute the Company's annual financial statements. Statutory Accounts for the year ended 30 September 2023 have been delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain statements under section 498 (2), (3) or (4) of the Companies Act 2006.

Whilst the financial information included in this announcement has been prepared in accordance with UK-adopted International Accounting Standards ("UK-IFRS") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), this announcement does not in itself contain sufficient information to comply with IFRS or UK-IFRS. The financial information has been prepared on the basis of the accounting policies and critical accounting estimates and judgements as set out in the Annual Report and Accounts 2023.

This condensed consolidated half-yearly financial statement has been reviewed, not audited.

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ. The Company is listed on the London Stock Exchange.

All figures presented are rounded to the nearest £m, unless otherwise stated.

Basis of preparation

The financial information for the six months ended 31 March 2024 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as issued by the IASB and as adopted for use in the UK.

This condensed consolidated half-yearly financial statement should be read in conjunction with the annual financial statements for the year ended 30 September 2023, which have been prepared in accordance with UK-IFRS and IFRS as issued by the IASB.

Going concern

As at 31 March 2024, the Group had a strong liquidity position with cash and available liquidity of £1.1bn, supported by underlying cash conversion of 127% reflecting the robust subscription-based business model. The Group's position is further supported by a well-diversified customer base amongst small and mid-sized businesses with high quality recurring revenue and strong retention rates.

In reaching its assessment on going concern, the Directors have reviewed liquidity forecasts for the Group for the period to 30 September 2025 (the going concern assessment period), which reflect the expected impact of economic conditions on trading.

Scenario-specific stress testing has been performed, with the level of churn assumptions increased by 75%, and a significant reduction in the level of new customer acquisition and sales to existing customers. In these severe stress scenarios, the Group continues to have sufficient resources to continue in operational existence, without the need to drawdown the revolving credit facility or seek additional financing. If more severe impacts occur, controllable mitigating actions to protect liquidity, including the reduction of discretionary spend, are available to the Group should they be required.

The Directors also reviewed the results of reverse stress testing to provide an illustration of the level of churn and deterioration in new customer acquisition which would be required to exhaust cash down to minimum working capital requirements. The result of the reverse stress testing has highlighted that such a scenario would only arise following a significant deterioration in performance, well in excess of the assumptions considered in the stress testing scenarios. The probability of these factors occurring is deemed to be remote given the resilient nature of the subscription business model, robust balance sheet, and continued strong cash conversion.

After making enquiries, the Directors have a reasonable expectation that Sage has adequate resources to continue in operation throughout the going concern assessment period. Accordingly, these condensed consolidated half-yearly financial statements have been prepared on a going concern basis.

Accounting policies

The accounting policies adopted in the preparation of these condensed consolidated half-yearly financial statements are consistent with those of the annual financial statements for the year ended 30 September 2023 as described in those annual financial statements.

Adoption of new and revised IFRSs

There are no accounting standards, amendments or interpretations effective for the first time this financial period that have had a material impact on the Group. No standards have been early adopted during the year.

The Directors also considered the impact on the Group of new and revised accounting standards, interpretations, or amendments which have been issued but were not effective for the Group for the period ended 31 March 2024.

On 9 April 2024, the International Accounting Standards Board (“IASB”) published a new standard IFRS 18 “Presentation and Disclosure in Financial Statements”, which will be effective for annual reporting periods beginning on or after 1 January 2027. While IFRS 18 will not impact the recognition or measurement of items in the financial statements, it will likely result in changes to how Sage presents certain information. The Group is in the process of assessing the impact that the application of this standard will have on the Group’s financial statements when first applied.

No other new or revised accounting standards, interpretations, or amendments which have been issued but were not effective are expected to have a material impact on the Group’s financial statements when first applied.

Accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and judgements by management. It also requires management to exercise its judgement in the process of applying the accounting policies. We continually evaluate our estimates and judgements based on available information.

Management has determined that there are no areas of estimation uncertainty that could be significant under IAS 1, ‘Presentation of Financial Statements’, being areas of estimation uncertainty with a significant risk of a material change to the carrying value of assets and liabilities within the next financial year.

Other key estimates are made when preparing the financial statements, which, while not meeting the definition of a significant estimate under IAS 1, involve the measurement of certain material assets or a higher degree of complexity.

Significant judgements are those made by management in applying our accounting policies that have a material impact on the amounts presented in the financial statements.

Management’s rationale in relation to these key accounting estimates and significant judgements are regularly assessed and, where material in value or in risk, are discussed with the Audit and Risk Committee. These areas are discussed in further detail below:

Revenue recognition (judgement)

Over a third of the Company's revenue is generated from sales to business partners rather than end users. The key judgement is determining whether the business partner is a customer of the Group. The key criteria in this determination is whether the business partner has taken control of the product. Considering the nature of Sage's subscription products and support services, this is usually assessed based on whether the business partner has responsibility for payment, has discretion to set prices, and takes on the risks and rewards of the product from Sage.

Where the business partner is a customer of Sage, discounts are recognised as a deduction from revenue.

Where the business partner is not a customer of Sage and their part in the sale has simply been in the form of a referral, they are remunerated in the form of a commission payment. These payments are treated as contract acquisition costs.

Sage also generates revenue through revenue-sharing and royalty arrangements with third-party technology partners for the sale of their services to the end customer. These arrangements also involve judgement to determine whether Sage is acting as the principal or the agent in the provision of services to the end customer, based on whether Sage has control of the service before delivery. This assessment considers whether Sage bears the pricing, inventory and performance risks associated with the transaction.

Goodwill impairment (estimate)

The estimates applied in calculating the value in use of the CGUs being tested for impairment are a source of estimation uncertainty. The key estimates considered in the calculation relate to the future performance expectations of the business and include the average medium-term revenue growth rate, the long-term growth rate of net operating cash flows and the discount rate.

Management has performed a review for indicators of impairment of goodwill as at 31 March 2024. As a result of this review, no indicators of impairment have been identified.

The carrying value of goodwill and the key estimates used in performing the annual impairment assessment are disclosed in note 6.1 of the annual financial statements for the year ended 30 September 2023.

Website

This condensed consolidated half-yearly financial report for the six months ended 31 March 2024 can also be found on our website: www.sage.com/investors/financial-information/results

2. Segment information

In accordance with IFRS 8, “Operating Segments”, information for the Group’s operating segments has been derived using the information used by the chief operating decision maker. The Group’s Executive Leadership Team (“ELT”) has been identified as the chief operating decision maker, in accordance with their designated responsibility for the allocation of resources to operating segments and assessing their performance through the Monthly Execution & Performance Reviews. The ELT uses organic and underlying data to monitor business performance. Operating segments are reported in a manner which is consistent with the operating segments produced for internal management reporting.

With effect from 1 October 2023, the Group is organised into three key operating segments:

- North America
- United Kingdom, Ireland, Africa and APAC (UKIA)
- Europe

For reporting under IFRS 8, each of the three operating segments above represents a reportable segment.

Prior to this date, the Group was organised into seven operating segments: North America, UK & Ireland, Central Europe (Germany, Austria and Switzerland), France, Iberia (Spain and Portugal), Africa and the Middle East, and Asia (including Australia).

The UKIA operating segment is the aggregation of the previously identified UK & Ireland, Africa and the Middle East, and Asia (including Australia) segments, while the Europe operating segment is the aggregation of the previously identified Central Europe, France and Iberia operating segments. There have been no changes to the North America operating segment.

Two of the reportable segments presented above, North America and Europe, remain consistent with the reportable segments identified in the most recent annual financial statements for the year ended 30 September 2023. However in previous reporting periods, the UKIA reportable segment was disaggregated and presented as two reportable segments, UK & Ireland and Africa & APAC.

Therefore, the financial data presented in the following tables for the comparative period (six months ended 31 March 2023) has been restated to aggregate the two historic reportable segments into the newly identified UKIA.

The revenue analysis in the table below is based on the location of the customer, which is not materially different from the location where the order is received and where the assets are located.

Revenue by segment

	Six months ended 31 March 2024			
	Statutory, Underlying and Organic £m	Change Statutory %	Change Underlying %	Change Organic %
Recurring revenue by segment				
North America	**506**	8%	14%	14%
UKIA	**321**	6%	8%	8%
Europe	**285**	6%	8%	8%
Recurring revenue	**1,112**	7%	11%	11%
Other revenue by segment				
North America	**14**	(13%)	(9%)	(9%)
UKIA	**7**	(12%)	(7%)	(7%)
Europe	**19**	(22%)	(20%)	(20%)
Other revenue	**40**	(17%)	(14%)	(14%)
Total revenue by segment				
North America	**520**	8%	13%	13%
UKIA	**328**	5%	8%	8%
Europe	**304**	4%	6%	6%
Total revenue	**1,152**	6%	10%	9%

	Six months ended 31 March 2024			
	Statutory, Underlying and Organic £m	Change Statutory %	Change Underlying %	Change Organic %
Total recurring revenue by type				
Software subscription revenue	**937**	10%	14%	13%
Other recurring revenue	**175**	(6%)	(2%)	(2%)
Recurring revenue	**1,112**	7%	11%	11%
Other revenue	**40**	(17%)	(14%)	(14%)
Total revenue	**1,152**	6%	10%	9%

	Six months ended 31 March 2023 (Restated)				
	Statutory and Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic adjustments* £m	Organic £m
Recurring revenue by segment					
North America	467	(22)	445	1	446
UKIA**	303	(7)	296	–	296
Europe	269	(5)	264	–	264
Recurring revenue	1,039	(34)	1,005	1	1,006
Other revenue by segment					
North America	16	(1)	15	–	15
UKIA**	8	–	8	–	8
Europe	24	–	24	–	24
Other revenue	48	(1)	47	–	47
Total revenue by segment					
North America	483	(23)	460	1	461
UKIA**	311	(7)	304	–	304
Europe	293	(5)	288	–	288
Total revenue	1,087	(35)	1,052	1	1,053

* Adjustments relate to the acquisitions of Corecon.
** Previously disaggregated into two reportable segments, i) UK & Ireland, and ii) Africa & APAC.

	Six months ended 31 March 2023				
	Statutory and Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic adjustments* £m	Organic £m
Total recurring revenue by type					
Software subscription revenue	853	(27)	826	1	827
Other recurring revenue	186	(7)	179	–	179
Recurring revenue	1,039	(34)	1,005	1	1,006
Other revenue	48	(1)	47	–	47
Total revenue	1,087	(35)	1,052	1	1,053

* Adjustments relate to the acquisitions of Corecon.

Operating profit by segment

	Six months ended 31 March 2024				
	Statutory £m	Underlying adjustments* £m	Underlying and Organic £m	Change Statutory %	Change Underlying and Organic %
Operating profit by segment					
North America	**86**	**20**	**106**	97%	32%
UKIA	**74**	**20**	**94**	57%	35%
Europe	**55**	**(1)**	**54**	(16%)	(17%)
Total operating profit	**215**	**39**	**254**	38%	18%

	Six months ended 31 March 2023 (Restated)				
	Statutory £m	Underlying adjustments* £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying and Organic £m
Operating profit by segment					
North America	43	42	85	(5)	80
UKIA**	48	26	74	(4)	70
Europe	66	2	68	(3)	65
Total operating profit	157	70	227	(12)	215

* Adjustments are detailed in note 3.

** Previously disaggregated into two reportable segments, i) UK & Ireland, and ii) Africa & APAC.

Reconciliation of underlying operating profit to statutory operating profit

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m
North America	**106**	80
UKIA*	**94**	70
Europe	**54**	65
Underlying operating profit	**254**	215
Impact of movement in foreign currency exchange rates	**–**	12
Underlying operating profit (as reported)	**254**	227
Recurring items	**(43)**	(50)
Non-recurring items	**4**	(20)
Statutory operating profit	**215**	157

* Previously disaggregated, for the six months ended 31 March 2023, into two reportable segments, i) UK & Ireland, and ii) Africa & APAC.

3. Adjustments between underlying profit and statutory profit

	Six months ended 31 March 2024		Six months ended 31 March 2023	
	Operating profit £m	**Profit before tax £m**	Operating profit £m	Profit before tax £m
Statutory measures	**215**	**203**	157	139
Recurring items				
• Amortisation of acquired intangibles	**26**	**26**	26	26
• Other M&A activity-related items	**17**	**17**	24	24
• Foreign currency movements on intercompany balances	**–**	**–**	–	1
Non-recurring items:				
• Reversal of employee-related costs	**(3)**	**(3)**	–	–
• Reversal of restructuring costs	**(1)**	**(1)**	–	–
• Property restructuring costs	**–**	**–**	20	20
Underlying (as reported) measures	**254**	**242**	227	210

Recurring items

Recurring items impacting operating profit (selling and administrative costs) are comprised of:

- Amortisation of acquired intangibles £26m (six months ended 31 March 2023: £26m) which have previously been recognised as part of business combinations or similar transactions. These assets are predominantly customer relationships and technology rights.
- Other M&A activity-related items £17m (six months ended 31 March 2023: £24m) which include advisory, legal, accounting, valuation and other professional or consulting services which are related to M&A activity, as well as acquisition-related remuneration and directly attributable integration costs. £2m (six months ended 31 March 2023: £4m) of these costs have been paid in the period, while the remainder are expected to be paid in subsequent periods.
- In the prior period, further recurring items impacting profit before tax (net finance costs) were comprised of foreign currency movements on intercompany balances which occur due to retranslation of unhedged intercompany balances other than those where settlement is not planned or likely in the foreseeable future and resulted in a loss of £1m for the six months ended 31 March 2023.

Non-recurring items

Non-recurring items impacting operating profit (selling and administrative costs) are comprised of:

- Reversal of employee-related costs £3m (six months ended 31 March 2023: £nil) relate to unutilised employee-related provisions recognised in the prior year for French payroll taxes.
- Reversal of restructuring costs £1m (six months ended 31 March 2023: £nil) primarily relates to unutilised provisions recognised in 2021.
- Property restructuring costs in the prior year related to the reorganisation of a number of leased properties following a strategic review of the Group's property portfolio. Costs of £20m consisted of impairment of £13m of right of use assets and other related fixed assets that are no longer in use as well as a provision for directly attributable future running costs associated with the properties.

The tax impact of both recurring and non-recurring items is disclosed in note 6.

4. Income tax expense

The effective tax rate on statutory profit before tax was 23% (six months ended 31 March 2023: 28%) whilst the effective tax rate on underlying profit before tax for continuing operations was 23% (six months ended 31 March 2023: 24%). The effective income tax rate represents the best estimate of the Group's average effective income tax rate expected for the full year, applied to the profit before income tax for the six months ended 31 March 2024.

The OECD's Pillar Two global tax reform will apply to the Group from the financial year ended 30 September 2025. The group continues to assess the Pillar Two framework and it is not expected to materially impact the Group's effective tax rate in future periods.

5. Dividends

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m	Year ended 30 September 2023 £m
Final dividend paid for the year ended 30 September 2022 of 12.10p per share	**–**	123	123
Interim dividend paid for the year ended 30 September 2023 of 6.55p per share	**–**	–	67
Final dividend paid for the year ended 30 September 2023 of 12.75p per share	**129**	–	–
	129	123	190

The interim dividend of 6.95p per share will be paid on 28 June 2024 to shareholders on the register at the close of business on 31 May 2024. The Company's distributable reserves are sufficient to support the payment of this dividend. This condensed consolidated half-yearly financial statement does not reflect this proposed dividend payable.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period, excluding those held as treasury shares and held by the Employee Benefit Trust, which are treated as cancelled, until reissued.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares, exercisable at the end of the period. The Group has one class of dilutive potential ordinary shares, which are share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period, where the vesting criteria are achieved at period end.

	Underlying Six months ended 31 March 2024	Underlying as reported Six months ended 31 March 2023	Underlying Six months ended 31 March 2023	**Statutory Six months ended 31 March 2024**	Statutory Six months ended 31 March 2023
Earnings attributable to owners of the parent					
Profit for the period	**186**	160	151	**156**	100
Number of shares (millions)					
Weighted average number of shares for basic earnings per share	**1,016**	1,018	1,018	**1,016**	1,018
Dilutive effects of shares	**19**	12	12	**19**	12
Weighted average number of shares for diluted earnings per share	**1,035**	1,030	1,030	**1,035**	1,030
Earnings per share attributable to owners of the parent (pence)					
Basic earnings per share	**18.22**	15.68	14.79	**15.31**	9.78
Diluted earnings per share	**17.89**	15.49	14.61	**15.03**	9.66

Reconciliation of earnings	**Six months ended 31 March 2024 £m**	Six months ended 31 March 2023 £m
Statutory profit for the period attributable to owners of the parent	**156**	100
Adjustments:		
• Recurring items	**43**	51
• Non-recurring items	**(4)**	20
Taxation on adjustments between statutory and underlying profit before tax	**(9)**	(11)
Underlying profit for the period attributable to owners of the parent (as reported)	**186**	160
Impact of movement in foreign currency exchange rates	**–**	(9)
Underlying profit for the period (after exchange movement) attributable to owners of the parent	**186**	151

7. Non-current assets

	Goodwill £m	Other intangible assets £m	Property, plant and equipment £m	Total £m
Opening net book amount at 1 October 2023	**2,245**	**274**	**104**	**2,623**
Additions	**–**	**9**	**21**	**30**
Transfer to held for sale*	**–**	**–**	**(7)**	**(7)**
Depreciation, amortisation and other movements	**–**	**(35)**	**(15)**	**(50)**
Exchange movement	**(55)**	**(3)**	**(2)**	**(60)**
Closing net book amount at 31 March 2024	**2,190**	**245**	**101**	**2,536**

* See note 11

	Goodwill £m	Other intangible assets £m	Property, plant and equipment £m	Total £m
Opening net book amount at 1 October 2022	2,391	320	152	2,863
Additions	–	8	12	20
Acquisition of subsidiary	8	4	–	12
Impairment	–	–	(13)	(13)
Depreciation, amortisation and other movements	–	(33)	(22)	(55)
Exchange movement	(161)	(11)	(5)	(177)
Closing net book amount at 31 March 2023	2,238	288	124	2,650

8. Equity

Ordinary shares and share premium

	Number of shares	Ordinary Shares £m	Share premium £m	Total £m
At 31 March 2023 and 1 October 2023	**1,100,789,295**	**12**	**548**	**560**
Cancellation of shares	**(25,920,557)**	**(1)**	**–**	**(1)**
At 31 March 2024	**1,074,868,738**	**11**	**548**	**559**

As at 31 March 2024:

- The Group held 68,732,947 treasury shares (30 September 2023: 73,906,470). During the period the Group transferred 5,173,523 treasury shares to employees in order to satisfy vested awards (six months ended 31 March 2023: 4,691,316).
- The Employee Benefit Trust held 4,286,835 ordinary shares in the Company (30 September 2023: 4,419,478 ordinary shares). During the period, the Employee Benefit Trust satisfied the vesting of certain share awards utilising 132,643 ordinary shares (six months ended 31 March 2023: 191,397).

The Employee Benefit Trust did not receive additional funds for the purchase of shares in the market (six months ended 31 March 2023: £nil).

On 22 November 2023, the Group entered into a non-discretionary share buyback programme ending no later than 23 April 2024, to purchase up to £350m of its own shares. The programme completed in April 2024, for a total consideration of £345m, plus expected associated taxes, corresponding to the £351m recognised through retained earnings at the balance sheet date (see note 13).

During the six months ended 31 March 2024, the Group purchased a total of 26,334,398 ordinary shares, of which 25,920,557 were cancelled as at 31 March 2024. The total consideration for those shares purchased in the current period amounted to £309m, of which £304m had been paid as at 31 March 2024. Of the expected associated taxes plus fees, £2m had been paid as at 31 March 2024.

Other Reserves

All components of other reserves are presented on a consolidated basis on the face of the consolidated statement of changes in equity.

	Translation reserve £m	Hedging Reserve £m	Merger Reserve £m	Total £m
At 1 October 2023	**124**	**4**	**61**	**189**
Exchange differences on translating foreign operations and net investment hedges	**(29)**	**–**	**–**	**(29)**
Cash flow hedges	**–**	**(1)**	**–**	**(1)**
At 31 March 2024	**95**	**3**	**61**	**159**

	Translation reserve £m	Hedging reserve £m	Merger Reserve £m	Total £m
At 1 October 2022	206	–	61	267
Exchange differences on translating foreign operations and net investment hedges	(93)	–	–	(93)
Cash flow hedges	–	(1)	–	(1)
At 31 March 2023	113	(1)	61	173

9. Cash flow and net debt

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m
Statutory operating profit	**215**	157
Recurring and non-recurring items	**39**	70
Underlying operating profit (as reported)	**254**	227
Depreciation, amortisation and other non-cash items	**23**	27
Share-based payments	**21**	20
Net changes in working capital	**35**	2
Net capital expenditure	**(11)**	(10)
Underlying cash flow from operations	**322**	266
Net interest paid	**(31)**	(28)
Income tax paid	**(46)**	(35)
Non-recurring items	**(4)**	(8)
Exchange movement	**(1)**	(1)
Free cash flow	**240**	194
Net debt at 1 October	**(561)**	(733)
Acquisition of subsidiaries or similar transactions, net of cash acquired and lease liabilities recognised	**–**	(14)
Acquisitions and disposals related items	**(34)**	(16)
Purchase of equity investment	**(2)**	–
Dividends paid to owners of the parent	**(129)**	(123)
Proceeds from issuance of treasury shares	**2**	2
New leases	**(17)**	(9)
Share buyback programme	**(306)**	–
Purchase of shares by Employee Benefit Trust	**–**	(1)
Exchange movement	**(3)**	9
Other	**(1)**	–
Net debt at 31 March 2024	**(811)**	(691)

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m
Underlying cash flow from operations	**322**	266
Net capital expenditure	**11**	10
Recurring and non-recurring cash items	**(35)**	(24)
Other adjustments including foreign exchange translations	**(1)**	(1)
Statutory cash flow from operations	**297**	251

Analysis of change in net debt	At 1 October 2023 £m	**Cash flow £m**	**Non-cash movements £m**	**Exchange movement £m**	**At 31 March 2024 £m**
Cash, cash equivalents and bank overdrafts	696	**(237)**	**–**	**(11)**	**448**
Liabilities arising from financing activities					
Loans due after more than one year	(1,171)	**–**	**(1)**	**6**	**(1,166)**
Lease liabilities due within one year	(14)	**8**	**(9)**	**–**	**(15)**
Lease liabilities after more than one year	(72)	**–**	**(8)**	**2**	**(78)**
	(1,257)	**8**	**(18)**	**8**	**(1,259)**
Total	(561)	**(229)**	**(18)**	**(3)**	**(811)**

The Group's debt is sourced from sterling and euro denominated bond notes, with a syndicated Revolving Credit Facility (RCF) of £630m also available.

	Interest coupon*	**2024 £m**	2023 £m
Bonds			
• GBP 350m bond notes	1.63%	**350**	350
• GBP 400m bond notes	2.88%	**400**	400
• EUR 500m bond notes	3.82%	**427**	433
• Unamortised issue and discount costs	N/A	**(9)**	(10)
Unamortised RCF loan costs	N/A	**(2)**	(2)
Total		**1,166**	1,171

* This does not include the impact of cross currency interest rate swaps entered into in relation to the GBP 350m bond notes and EUR 500m bond notes.

In November 2023, a one-year extension was agreed to the Group's RCF, resulting in a new maturity in December 2028. An extension option for a further year remains available subject to specific provisions. At 31 March 2024, £nil of the RCF was drawn down (30 September 2023: £nil).

10. Financial instruments

The carrying amounts of the following financial assets and liabilities approximate to their fair values: trade and other payables excluding tax and social security, trade and other receivables excluding prepayments and accrued income, lease liabilities, and short-term bank deposits, and cash at bank and in hand.

The fair value of the sterling and euro denominated bond notes are determined by reference to quoted market prices and therefore can be considered as a level 1 fair value as defined within IFRS 13.

The fair value of the cross-currency interest rate swaps held by the Group is determined using a discounted cash flow valuation technique at market rates and therefore can be considered as a level 2 fair value as defined within IFRS 13.

The fair value of the swaps held by the Group as at 31 March 2024 was a £5m net asset, comprised of £13m assets offset by £8m liabilities (30 September 2023: a £19m net liability, comprised of £1m assets offset by £20m liabilities).

The Group does not hold any financial liabilities whose fair value would be considered as a level 3 fair value as defined within IFRS 13.

The respective book and fair values of bond notes and loan notes are included in the table below.

	At 31 March 2024		At 31 March 2023		At 30 September 2023	
	Book Value £m	**Fair Value £m**	Book Value £m	Fair Value £m	Book Value £m	Fair Value £m
Long term-borrowings (excluding lease liabilities)	**(1,166)**	**(1,056)**	(1,177)	(1,033)	(1,171)	(1,014)

11. Acquisitions and disposals

Disposals and discontinued operations

Discontinued operations and assets and liabilities held for sale

The Group had no discontinued operations during the six-month periods ended 31 March 2024 (31 March 2023: none).

Assets held for sale at 31 March 2024 included the Group's Beaverton property site, part of the North America operating segment, which was reclassified to assets held for sale at 31 March 2024. Subsequently the sale of the property was completed in April 2024. On classification as held for sale, no adjustment was required to the carrying value of the Beaverton property site of £7m.

There were no assets held for sale at 31 March 2023.

12. Related party transactions

The Group's related parties are its subsidiary undertakings and its key management personnel, which comprises the Group's Executive Leadership Team members and the Non-executive Directors. Transactions and outstanding balances between the parent and its subsidiaries within the Group, and between those subsidiaries, have been eliminated on consolidation and are not disclosed in this note.

Key management compensation	**Six months ended 31 March 2024 £m**	Six months ended 31 March 2023 £m
Salaries and short-term employee benefits	**6**	5
Share-based payments	**4**	3
	10	8

Key management personnel are deemed to be members of the Executive Leadership Team, as defined in the Group's Annual Report and Accounts 2023 and the Non-executive Directors. Since the signing of the Group's Annual Report and Accounts 2023, the following changes to the Executive Leadership Team have taken place:

- Eduardo Rosini, in his role as Chief Growth Officer, has been appointed to the Executive Leadership Team, with effect from 1 March 2024;
- Derk Bleeker remains on the Executive Leadership Team, in a new role as Chief Commercial Officer, with effect from 1 March 2024; and
- Aziz Benmalek has left his role as President – North America, with effect from 1 March 2024.

There have been no other changes to the composition of the Executive Leadership Team.

13. Events after the balance sheet date

On 11 April 2024, Sage confirmed that the previously announced share buyback programme had been completed. A total number of 29,289,778 ordinary shares in Sage were repurchased as part of the programme and Sage will cancel all of the purchased shares. The aggregate amount of the consideration paid by Sage was £345m (excluding expected associated taxes) and the average price paid per ordinary share was £11.79.

Managing Risk

Through our risk process, Sage is able to effectively manage our strategic, operational, commercial, compliance, change and emerging risks. This helps us to deliver our strategic objectives and goals through risk informed decisions. The Board's role is to maintain oversight of the key principal and business risks, together with ensuring that the appropriate committees are managing the risks effectively. Additionally, the Board reviews the effectiveness of our risk management approach and challenges our leaders to articulate their risk management strategies.

Sage continually assesses its principal risks to ensure alignment to our strategy and consideration of where Sage is currently on its journey to building sustainable growth.

By monitoring risk and performance indicators related to this strategy, principal risk owners focus on those metrics that signal current performance, as well as any emerging risks and issues. The principal risks reflect our five strategic priorities. The management and mitigation actions described below reflect the principal risks and build on those actions previously reported in the Annual Report and Accounts 2023.

KEY

Scale Sage Intacct	Expand medium beyond financials	Build the small business engine	Scale the network	Learn and disrupt

PRINCIPAL RISK	RISK CONTEXT	MANAGEMENT AND MITIGATION
Understanding Customer Needs	**Risk Trend: Stable Risk Environment**	
If Sage fails to anticipate, understand, and deliver against the capabilities and experiences of current and future customer needs, then customers will find alternative solution providers. **Strategic alignment:**	Understanding of how to attract new customers while retaining existing customers is essential to building sustainable growth. This requires a deep and continuous flow of insights supported by processes and systems. By understanding the needs of our customers, Sage will differentiate itself from competitors, build compelling value propositions and offers, use key drivers to identify opportunities, influence product and process roadmaps, decrease churn and support more effective revenue generation.	• Brand-health surveys to provide an understanding of customer perception of the Sage brand and its products, used to inform and enhance our market offerings. • A Market and Competitive Intelligence team to provide insights that Sage uses to win in the market. • Proactive analysis of customer activity and churn data, to improve customer experience. • Customer Segmentation Framework and the customer market analysis by region to help inform product roadmaps. • Customer Advisory Boards, Customer Design Sessions and closed-loop feedback to constantly gather information on customer needs.
Execution of Product Strategy	**Risk Trend Improving Risk Environment**	
If we fail to offer the capabilities and experiences outlined in our product strategy, we will not meet the needs of our customers or commercial goals. **Strategic alignment:**	We need to execute rapidly, a prioritised product strategy that continues to simplify our product portfolio and focuses on our drive to create the Sage Network that will benefit our customers.	• A robust product organisation supported by a governance model to enable the way we build products. • Migration framework in key countries to support our customers as they move to the cloud. • Continued expansion of Sage Intacct outside of North America and for additional product verticals. • Introduction of Sage Copilot AI assistant. • Enhancing accessibility of Sage cloud products to WCAG 2.1 AA standard by the end of 2025. • A strong focus on accountants through a tailored Sage for Accountants proposition. • A partnership with Amazon Web Services (AWS) to develop domain-specific accounting Large Language Model (LLM). • Acquisition of Bridgetown Software to strengthen Sage's Construction and Real Estate portfolio.

PRINCIPAL RISK	RISK CONTEXT	MANAGEMENT AND MITIGATION
Developing and Exploiting New Business Models	**Risk Trend: Stable Risk Environment**	
Sage is unable to develop, commercialise and scale new business models to diversify from traditional Software as a Service (SaaS), especially consumption-based services and those which leverage data. **Strategic alignment:**	We must be able to rapidly deploy new innovations to our customers and partners by introducing technologies, services, or new ways of working. Innovation requires us to address how we change and transform our people, processes and technology, and how we differentiate our products and increase customer efficiencies.	• A Business Unit solely focused on scaling the Sage Network. • Continued digitalisation and automation of Sage products through Sage Network and AI services. • Enhanced, consistent digital experience for all Sage Business Cloud users through the Sage Design System. • Venture Studios Team asked to search for new business models that may align with the Sage vision.
Route to Market	**Risk Trend: Stable Risk Environment**	
If we fail to deliver a globally consistent blend of route to market channels in each market, Sage will miss the opportunity to efficiently deliver the right capabilities and experiences to our current and future customers. **Strategic alignment:**	We have a blend of channels to communicate with our current and potential customers and ensure our customers receive the right information, on the right products and services, at the right time. Our sales channels include selling directly to customers through digital and telephone channels, via our accountant network, and through partners. We use these channels to maximise our marketing and customer engagement activities. This can shorten our sales cycle and ensure we improve customer retention.	• Chief Growth Officer and Chief Commercial Officer appointments to demonstrate Sage's commitment to serve SMBs on a global and consistent basis. • Market data and intelligence supports decision-making regarding the best routes to market. • Specified colleagues are in place to support partners, and to help manage the growth of targeted channels. • Sale processes are targeted and configured by region for key customer segments and verticals. • A specific Onboarding Squad enhances user journeys to enable customer conversion. • Acceleration of new partnerships to support the Sage Network. • Centre of Excellence to support our indirect sales and third-party approach. • Expansion of relationship with AWS to elevate sustainability for SMBs through the introduction of Sage Earth to the AWS marketplace.
Customer Experience	**Risk Trend: Stable Risk Environment**	
If we fail to provide ongoing value to our customers by focusing on their needs over the lifetime of their customer journey, we will not be able to achieve sustainable growth through renewal. **Strategic alignment:**	We must maintain a sharp focus on the relationship we have with our customers, constantly offering the products, services, and experiences they need for success. If we do not, they are likely to find another provider who does. Conversely, if we meet or exceed their expectations, customers will stay with Sage, increasing their lifetime value, and becoming our greatest marketing advocates. While Sage is known for its high-quality customer support, this area requires constant, proactive focus. By helping customers recognise and fully realise the value of Sage's products, we can help increase the value of these relationships over time and reduce the likelihood of customer loss. By aligning our people, processes, and technology with this focus in mind, all Sage colleagues can help our customers to be successful and, in turn, improve financial performance.	• Customer-journey mapping to ensure appropriate strategy alignment and alignment to Target Operating Model. • Expanded adoption of micromoments, which are customer experiences broken down into moments that matter most to our customers. We use micromoments to prioritise improvements. • 'Customer for life' roadmaps, detailing how products fit together, any interdependencies, and migration pathways for current and potential customers. • Continuous Net Promoter Score (NPS) surveying allows us to identify customer challenges rapidly, and respond in a timely manner to emerging trends. • Sage Membership offered to all customers, providing customers with access to curated resources, tools, and a connected community of business leaders.
Third Party Reliance	**Risk Trend: Stable Risk Environment**	
If we do not make our partners an integral and aligned part of Sage's go-to-market strategy, we will fail to deliver the right	Sage relies on third-party providers to support the delivery of our products to our customers through the provision of cloud-native products.	• Centre of Excellence for our indirect sales and third-party partners. • Specified colleagues in place to support partners, and to help manage the growth of targeted channels.

PRINCIPAL RISK	RISK CONTEXT	MANAGEMENT AND MITIGATION
capabilities and experiences to our customers. **Strategic alignment:**	Sage also has an extensive network of sales partners critical to our success in the market, and suppliers it relies on. Any interruption in these services or relationships could have a profound impact on Sage's reputation in the market and could result in significant financial liabilities and losses.	• Managed growth of the API estate, including enhanced product development that enables access by third-party API developers and optimisation of API integrations to improve efficiency. • Enhanced third-party management framework, to support global alignment, execution and oversight of third-party activities. • A specialised Procurement function supporting the business with the selection of strategic third-party suppliers and negotiation of contracts and the implementation of a Sustainable Supply Chain Strategy.
People and Performance	**Risk Trend: Stable Risk Environment**	
If we fail to ensure we have engaged colleagues with the critical skills, capabilities, and capacity we need to deliver on our strategy, we will not be successful. **Strategic alignment:**	As we evolve our priorities, the capacity, knowledge and leadership skills we need will continue to change. Sage will not only need to attract the right talent to navigate change, but will also need to provide an environment where colleagues can develop to meet these new expectations. By empowering colleagues and leaders to make decisions, be innovative, and be bold in meeting our commitments, Sage will be able to create an attractive working environment. By addressing what causes colleague voluntary attrition, and embracing the values of successful technology companies, Sage can increase colleague engagement and create an aligned high-performing team.	• Extensive focus on hiring channels to ensure we are attractive in the market through our enhanced employee value proposition and enhanced presence through social media such as Glassdoor, Comparably, Twitter, LinkedIn, and Facebook. • Reward mechanisms designed to incentivise and encourage the right behaviour, with a focus on ensuring fair and equitable pay in all markets. • A series of Learning Academies and talent programmes to support the development of internal talent including sponsorship programmes, new director, graduate and apprentice programmes. • An OKR (Objectives and Key Results) framework to define measurable goals and track outcomes of colleague success. • Talent Market Place solution to support identification of capabilities and gaps; talent pipelines; development and career pathways; mentoring. • Strategic Workforce Planning Framework across the business.
Culture	**Risk Trend: Improving Risk Environment**	
If we do not define, shape and proactively manage our culture in line with our Value and Behaviours, we will find it difficult to achieve our strategic priorities and purpose; we will risk disengaging colleagues, increasing attrition and affecting our ability to attract and retain diverse talent. **Strategic alignment:**	The development of a shared behavioural competency that encourages colleagues to always do the right thing, put customers at the heart of business, and improve innovation, is critical in Sage's success. Devolution of decision-making, and the acceptance of accountability for those decisions, will need to go hand in hand as the organisation develops and sustains its shared Values and Behaviours, and fosters a culture that provides customers with a rich digital environment. Sage will also need to create a culture of empowered leaders that supports the development of ideas, and that provides colleagues with a safe environment allowing for honest disclosures and discussions. Such a trusting and empowered environment can help sustain innovation, enhance customer success, and encourage the engagement that results in increased market share.	• Integration of Values and Behaviours into all colleague priorities including talent attraction, selection, and onboarding as well as OKRs. • A DEI strategy focused on building diverse teams, an equitable culture, and fostering inclusive leadership. This is supported by measurable plans and metrics to track progress, ensuring Sage meets its commitments, including no tolerance of discrimination, equal chances for everyone, an inclusive culture, removing barriers, and DEI education. • Code of Conduct training for all colleagues (including Anti-Bribery and Corruption requirements) delivered as snippets, allowing Sage to signpost relevant training at colleagues' point of need. • Core eLearning modules rolled out across Sage, with regular refresher training. • Whistleblowing and incident-reporting mechanisms in place to allow issues to be formally reported and investigated.

PRINCIPAL RISK	RISK CONTEXT	MANAGEMENT AND MITIGATION
Cyber Security and Data Privacy	**Risk Trend: Improving Risk Environment**	
If we fail to collect, process and store data responsibly, and ensure an appropriate standard of cyber security across the business, we will not meet our regulatory obligations and will lose the trust of our stakeholders. **Strategic alignment:**	Information is the life blood of a digital company – protecting the confidentiality, integrity and accessibility of this data is critical for a data-driven business, and failure to do so can have significant financial and regulatory consequences in the General Data Protection Regulation (GDPR) era. In addition, we also need to use our data efficiently and effectively to improve business performance.	• Multi-year cyber security programmes in IT and products to ensure Sage is continuously improving, and reduce cyber risk across technology, business processes and culture. • Accountability within both IT and Product for all internal and external data being processed by Sage. The Chief Information Security Officer oversees information security, with a network of Information Security Officers that directly support the business. • Launch of the Trust and Security Hub and publication of Cyber Security for SMBs report to support our customers. • The Chief Data Protection Officer oversees information protection. • Formal certification schemes maintained across the business, and include internal and external validation of compliance. • All colleagues are required to undertake awareness training for cyber security, information management and data protection, with a focus on the GDPR requirements. • A Cyber Security Risk Management Methodology is deployed to provide objective risk information on our assets and systems.
Data Strategy	**Risk Trend: Improving Risk Environment**	
If we fail to recognise the value of our data assets, create effective data foundations, and capitalise on their use, we will not be able to realise their full potential to secure strategically aligned outcomes. **Strategic alignment:**	Data is central to the Sage strategy to deliver sustainable growth by expanding the Sage Network. The strategy is underpinned by our ability to innovate and develop solutions to enhance customer propositions, improve insight and decision-making and create new business models and ecosystems. Successful ability to use data will accelerate our growth and will be a key driver in helping customers transform how they run and build their businesses.	• A strategy across customer, product, and enterprise data to support the delivery of customer value and solve customer problems, including the use of enhanced AI/ML capabilities. • A defined set of Data and AI Ethics Principles to ensure we use customer data responsibly to achieve our strategy. • A Data and AI Ethics Council, which includes members from the Executive Leadership Team and will govern activities relating to Data and AI Ethics. • Plan to increase participation in the Sage Network, which will contribute to more data to support the delivery of real customer value and solve real customer problems. • Governance policies, processes and tooling to enhance and manage the quality and trust in our data. • The implementation of data architecture and associated data models that facilitate data sharing and utilisation. • A data asset register, and associated use case catalogue, to enable effective prioritisation and value creation.
Readiness to Scale	**Risk Trend: Improving Risk Environment**	
As Sage's ambition grows, if it fails to ensure its cloud products can build and operate at an industrial, global scale it will erode its competitive advantage. The hosting of products must achieve economies of scale, aligned to ambition, in parallel with the ability to accelerate to market with quality. Both must be achieved with reduced	As Sage continues to build sustainable growth, we continue to focus on scaling our current and future platform-services environment in a rigorous, agile, and speedy manner to ensure we provide a consistent and healthy cloud platform and associated network. Sage must provide the right infrastructure and operations for all customer products, a hosting platform together with the governance to ensure optimal service availability,	• Migration of products to public cloud offerings to improve scalability, resilience and security. • Accountability across product owners, underpinned by ongoing risk assessments and continuous improvement projects. • Formal onboarding process through ongoing portfolio management • Incident and problem management change processes adhered to for all products and services. • Service-level objectives including uptime, responsiveness, and mean time to repair. • Defined real-time demand-management

PRINCIPAL RISK	RISK CONTEXT	MANAGEMENT AND MITIGATION
environmental impact and no customer impact. If not addressed, Sage's cloud products would be less resilient and less able to respond to its customer expectations. **Strategic alignment:**	performance, security protection, and restoration (if required).	processes and controls, and also disaster-recovery capability and operational-resilience models. • A governance framework to optimise operational cost base in line with key metrics. • All new acquisitions are required to adopt Sage cloud operation standards.
Environmental, Social and Governance	**Risk Trend: Improving Risk Environment**	
If Sage fails to fully, and continually, respond to the range of opportunities and risks associated with ESG it will erode its reputation and competitive advantage. Sage would also be less resilient and able to respond to its internal and external expectations and damage stakeholder trust. Sage may also incur higher cost of capital and lose credibility unless it can demonstrate strong ESG credentials to the market. **Strategic alignment:**	We invest in education, technology, and the environment to give individuals, SMBs, and our planet the opportunity to thrive. Internally, it is essential that Sage understands the potential impact of climate change to its strategy and operations and considers appropriate mitigations. Societal and Governance-related issues are integral to Sage's purpose and values and to the achievement of Sage's strategy. You can read more about the work we are doing on ESG in the Sustainability and Society Report 2023.	• Sage's Sustainability and Society strategy, informed by a rigorous materiality assessment, focusing on 3 pillars: Protect the Planet, Tech for Good, Human by Design. • Ensuring adequate executive oversight through the Sustainability and Society Committee. • Enabling accountability through integration on ESG measures within long-term incentive plans. • A strict portfolio governance approach to working cross-functionally to meet sustainability commitments. • An integrated framework for the management of ESG-related risk and, in particular, physical and transitional climate risks, as detailed by TCFD. • All colleagues are encouraged to take up to 5 paid Sage Foundation days each year, to support charities and provide philanthropic support to the community.

Statement of Directors' Responsibilities

The condensed consolidated half-yearly financial report for the six months ended 31 March 2024 includes the following responsibility statement.

Each of the Directors confirms that, to the best of their knowledge:

- the Group condensed consolidated half-yearly financial statements, which have been prepared in accordance with IAS34, "Interim Financial Reporting" as adopted by the UK and as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Half-Yearly Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rules 4.2.7R and 4.2.8R, namely:
    - an indication of important events that have occurred during the six months ended 31 March 2024 and their impact on the condensed consolidated half-yearly financial report, and a description of the principal risks and uncertainties that the Group faces for the remaining six months of the current financial year; and
    - any related party transactions in the six months ended 31 March 2024 that have materially affected the financial position or performance of the Group during that period and any changes in the related party transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the six months ended 31 March 2024.

The Directors of The Sage Group plc are consistent with those listed in the Group's Annual Report and Accounts 2023, except for the following changes:

- Drummond Hall, has retired as a Non-executive Director and from his role as Senior Independent Director with effect from 31 December 2023; and
- Annette Court, has been appointed as Senior Independent Director with effect from 1 January 2024.

A list of current directors is maintained on the Group's website: www.sage.com.

On behalf of the Board

J Howell

Chief Financial Officer

15 May 2024

Independent review report to The Sage Group plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2024 which comprises the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated statement of cash flows and the related explanatory notes 1 to 13. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
15 May 2024

Notes: **[1]** The maintenance and integrity of the Sage Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site. **[2]** Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.