

Trading update for the three months ended 31 December 2016

The Sage Group plc (the Group) is today issuing its trading update for the three months ended 31 December 2016.

Financial performance

Group organic revenue increased by 5.1% for the first three months of the year. Growth for the quarter excluding the US Payments business, where we are evaluating strategic options including a potential sale, was 5.9%.

Organic recurring revenue grew by 9.6%, driven by software subscription growth of 31%, and the number of software subscription contracts now stands at 1.1m.

Organic software and software related services (SSRS) revenue declined by 10% reflecting the continuing planned migration to subscription.

All major Sage countries are running to or exceeding plan, with the exception of USA where the payments business showed a slight decline in revenue, and France where SSRS revenue decline was more marked.

Sage this week announced the launch of a range of Cloud Accounting products which are expected to support the momentum for the rest of the year.

Steve Hare, Chief Financial Officer, commented:

“Q1 results are broadly in line with our expectations. We indicated at the time of the full year results that the early part of FY17 would start more slowly, with growth accelerating through the year and into FY18.

Management is clear that FY17 is all about delivery. The strategy is working: our customer for life engine continues to drive high quality revenue growth and we are starting to see encouraging signs of new customer acquisition as we continue to invest in the business.

For the year as a whole we remain confident that we will achieve the guidance of at least 6% organic revenue growth and at least 27% organic operating margin.”

Foreign exchange

There has been further devaluation of Sterling against the US dollar in the first quarter causing a slight exchange rate tailwind.

Financial position

The Group’s financial position remains strong and net debt as at 31 December 2016 was £380m (£397m as at 30 September 2016).

Analyst and investor conference call

Steve Hare, CFO of Sage, will be hosting a conference call at 08:00am GMT today which will be webcast from a link on our investor relations website, www.sage.com/investors. The call may also be accessed using the dial-in number +44(0) 20 3427 1907 and pin code 6948488. A replay of the call will also be available for one week after the event: dial in number +44 (0)20 3427 0598, pin code 6948488.

**Enquiries****The Sage Group plc +44(0) 191 294 3897**

Steve Hare, Chief Financial Officer

Lauren Wholley, Investor Relations

FTI Consulting +44(0) 20 3727 1000

Charles Palmer

Dwight Burden

About Sage

Sage – the market and technology leader for integrated accounting, payroll and payment systems, powered by the cloud and supporting the ambition of the world’s entrepreneurs and business builders. Because when business builders do well, we all do. For more information, visit www.sage.com