

Trading update for the three months ended 31 December 2017

The Sage Group plc (the Group) is today issuing its trading update for the three months ended 31 December 2017.

Financial performance

Group organic revenue¹ increased by 6.3% for the first three months of the year.

Organic recurring revenue grew by 7%, underpinned by software subscription growth of 26%. Organic software and software related services (SSRS) revenue increased by 4% reflecting continuing strong performance in training and services and Enterprise Management (formerly Sage X3), offset by a decline in other licences.

North America has performed strongly reflecting continuing progress made by management across the US, Canada and Sage Intacct and as Sage Business Cloud revenues start to contribute significantly in this highly cloud-adoptive region. France continues to significantly underperform relative to the rest of the Group, weighing on both organic revenue and recurring revenue growth with recovery expected in the second half of the year, as previously indicated.

Steve Hare, Chief Financial Officer, commented:

“Q1 results are in line with our expectations. As we outlined at the time of the full year results, we have invested heavily in sales training in Q1 to set up the business for success, particularly in Sage Business Cloud, resulting in the delay of some revenue into Q2. Quarterly phasing of organic revenue growth is therefore expected to be similar to prior financial years. We expect acceleration throughout the year including a stronger Q2 and we reiterate our full year guidance of around 8% organic revenue growth and around 27.5% organic operating margin for FY18.

We look forward to sharing our plans to drive further acceleration in revenue growth at our Capital Markets Day on 25 January 2018.

Foreign exchange

Sterling has strengthened against all major currencies except the Euro in our operating territories, leading to exchange rate headwinds, particularly in the translation of the US Dollar.

Financial position

The Group's financial position remains strong and net debt as at 31 December 2017 was £794m (£813m as at 30 September 2017).

Analyst and investor conference call

Steve Hare, CFO of Sage, will be hosting a conference call at 08:30am 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)330 336 9411 and pin code 3750229. A replay of the call will also be available for one week after the event: dial in number +44 (0) 207 984 7568, pin code 3750229.

Enquiries

¹ The organic revenue definition includes acquired businesses from the beginning of the financial year following their date of acquisition. Adjustments are made to the comparative period to present acquired businesses as if these had been part of the Group throughout the period.



The Sage Group plc +44(0) 191 294 3457

Steve Hare, Chief Financial Officer
Lauren Wholley, Investor Relations

FTI Consulting +44(0) 20 3727 1000

Charles Palmer
Dwight Burden

About Sage

Sage is the global market leader for technology that helps businesses of all sizes manage everything from money to people – whether they're a start-up, scale-up or enterprise. We do this through Sage Business Cloud - the one and only business management solution that customers will ever need, comprising Accounting, Financials, Enterprise Management, People & Payroll and Payments & Banking.