

Trading update for the three months ended 31 December 2018

The Sage Group plc (the Group) is today issuing its trading update for the three months ended 31 December 2018.

Financial performance

Group organic¹ revenue increased by 7.6% to £465m for the first three months of the year.

Recurring revenue increased by 10.5% to £387m, underpinned by software subscription growth of 27.7% to £237m, building on the momentum generated at the end of FY18 as the business continues to focus on subscription, assisted by a softer comparator in Q1 18. Software and software related services (SSRS) revenue declined by 5.8% to £65m reflecting the managed decline in licences as the business transitions to subscription, offset by a slight increase in services.

Organic revenue growth of 7.6% reflects growth in products within, or to be migrated to, Sage Business Cloud of 9.3% to £380m and a slight increase of 0.6% to £85m in products with no current path to Sage Business Cloud.

Regionally, North America delivered revenue growth of 10.4% to £154m, with double digit recurring revenue driven by cloud connected solutions and Sage Intacct. The UKI showed strong signs of recovery with revenue growth of 5.9% to £96m and double digit recurring revenue growth driven by Sage 50 cloud connected migrations. In France, revenue growth of 5.8% to £69m reflects continuing recovery in recurring revenue, driven by Sage 200 cloud connected. Performance in other regions was largely in line with expectations.

Sage announced on 15 January 2019 that it has entered into an agreement for the sale of Sage Payroll Solutions to iSolved HCM, LLC. This business was classified as held for sale and excluded from organic numbers at year end FY18.

Steve Hare, Chief Executive Officer, commented:

“We have been encouraged by the strong start to FY19, reflecting the renewed focus on high-quality subscription and recurring revenue as we continue the journey to becoming a great SaaS business. Looking ahead we reiterate our full year guidance for FY19 as outlined at the FY18 results announcement.”

Foreign exchange

Sterling has weakened against the US Dollar and the Euro, leading to exchange rate tailwinds, particularly in the translation of the US Dollar.

Financial position

The Group's financial position remains strong and net debt as at 31 December 2018 was £602m (£668m as at 30 September 2018).

Analyst and investor conference call

Steve Hare, CEO and Jonathan Howell, CFO 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

¹ All numbers throughout this document are organic unless otherwise stated.

call may also be accessed using the dial-in number 0800 279 6619 (United Kingdom) or +44 (0) 2071 928 338 (International) and pin code 8799633. A replay of the call will also be available for one week after the event: dial in number 0871 700 0471 (United Kingdom) or +44 (0) 3333 009 785 (International), pin code 8799633.

Enquiries

The Sage Group plc

+44(0) 191 294 3457

Jonathan Howell, Chief Financial Officer

Lauren Wholley, Investor Relations

Amy Lawson, Media

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, Sage Intacct, Enterprise Management, People & Payroll and Payments & Banking.