

Trading update for the three months ended 31 December 2019

The Sage Group plc (the “Group”) is today issuing its trading update for the three months ended 31 December 2019.

Financial performance

Organic ¹ Revenue Mix	Q1 FY20	Q1 FY19	Growth	
	£m	£m	£m	%
Revenue by Category				
Recurring Revenue	£410m	£370m	+£40m	+10.7%
Other Revenue (SSRS ² & Processing)	£55m	£65m	-£10m	-15.8%
Organic Total Revenue	£465m	£435m	+£30m	+6.7%
Portfolio View of Recurring Revenue				
Future Sage Business Cloud opportunity	£362m	£321m	+£41m	+12.7%
Other (no current path to migration)	£48m	£49m	-£1m	-2.5%
Recurring Revenue	£410m	£370m	+£40m	+10.7%

Group recurring revenue increased by 10.7% to £410m, underpinned by software subscription growth of 24.8% to £286m (Q1 19: £229m), as Sage continued to focus on migrating existing customers and attracting new customers to subscription and the cloud.

Recurring revenue growth was driven principally by North America and Northern Europe (UK & Ireland), with strong momentum from FY19 carried forward into the first quarter. In North America, recurring revenue grew by 11.8% to £154m (Q1 19: £137m), driven by cloud connected solutions and a good performance from Sage Intacct. Northern Europe continued to grow strongly with recurring revenue growth of 15.1% to £93m (Q1 19: £80m), benefitting from strong growth in the second half of FY19 as well as new Sage 50 cloud connected contracts added in the quarter.

In terms of the portfolio view of revenue, the Future Sage Business Cloud Opportunity (products within, or to be migrated to, Sage Business Cloud) delivered recurring revenue growth of 12.7% to £362m, offset by a slight decrease in recurring revenue of 2.5% to £48m in products with no current path to Sage Business Cloud.

Other revenue (SSRS and processing) declined by 15.8% to £55m, in line with our expectations for the quarter, reflecting the managed decline in licence sales and de-prioritisation of professional services revenue as the business continues to focus on subscription.

Total Group revenue increased by 6.7% to £465m.

Jonathan Howell, Chief Financial Officer, commented:

“Sage had a strong first quarter as expected. We have sustained last year’s growth momentum into the first quarter of FY20, as we continue to focus on driving recurring revenue through the transition

¹ All numbers throughout this document are organic unless otherwise stated. Organic results exclude contributions from assets held for sale (Sage Pay and the Brazilian business). Full definitions are available in the FY19 results announcement

² Software and software-related services

to cloud-based subscription services, in line with our vision to become a great SaaS company. Looking ahead, we reiterate our guidance for the full year, as outlined in the FY19 results announcement.”

Foreign exchange

Sterling strengthened in the quarter against international currencies, particularly the Euro, leading to exchange rate headwinds.

Analyst and investor conference call

Jonathan Howell, CFO will be hosting a conference call at 8:30am 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 0800 376 7922 (United Kingdom) or +44 (0) 2071 928 000 (International) and pin code 8796118. A replay of the call will also be available for one week after the event: dial-in number 0844 571 8951 (United Kingdom) or +44 (0) 3333 009 785 (International), pin code 8796118.

Enquiries

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About Sage

Sage (FTSE: SGE) is a global market leader for technology that helps small and medium businesses perform at their best. Sage is trusted by millions of customers worldwide to deliver the best cloud technology and support, with our partners, to manage finances, operations, and people. We believe in doing everything we can to help people be the best they can be, so the combined efforts of 13,000 Sage colleagues working with businesses and communities make a real difference to the world. Sage. Perform at your Best.