

Trading update for the three months ended 31 December 2020

The Sage Group plc (the “Group”) is today issuing its trading update for the three months ended 31 December 2020.

Financial performance

Organic ¹ Revenue Mix	Q1 FY21	Q1 FY20	Growth	
	£m	£m	£m	%
Revenue by Category				
Recurring Revenue	£408m	£390m	+£18m	+4.7%
Other Revenue (SSRS ² & Processing)	£39m	£51m	-£12m	-24.0%
Organic Total Revenue	£447m	£441m	+£6m	+1.4%
Portfolio View of Recurring Revenue				
Future Sage Business Cloud opportunity	£366m	£345m	+£21m	+6.2%
Non-Sage Business Cloud	£42m	£45m	-£3m	-7.2%
Recurring Revenue	£408m	£390m	+£18m	+4.7%

Sage performed in line with expectations in the first quarter, against strong comparators, driven by successful strategic execution.

Recurring revenue increased by 4.7% to £408m, supported by software subscription growth of 11.3% to £303m (Q1 20: £272m). As a result, subscription penetration increased to 68% (FY20: 65%).

Regionally, North America achieved growth in recurring revenue of 6.4% to £160m (Q1 20: £150m) driven principally by a good performance from Sage Intacct. In Northern Europe recurring revenue increased by 3.3% to £96m (Q1 20: £93m), reflecting mainly momentum in cloud connected, together with growth in cloud native solutions. Performance in other regions was largely in line with expectations.

In terms of the portfolio view of recurring revenue, the Future Sage Business Cloud Opportunity (products within, or to be migrated to, Sage Business Cloud) grew by 6.2% to £366m. This was underpinned by strong growth in cloud native revenue of 26.7% to £63m (Q1 20: £50m), primarily through new customer acquisition, and further growth in cloud connected. Sage Business Cloud penetration increased to 64% (FY20: 61%).

In line with our plans to drive further growth in recurring revenue, we are progressively increasing investment in product development and sales and marketing during FY21, with a particular focus on cloud native solutions. As previously indicated, we may flex the level of this investment during the course of the year, in response to trading conditions.

Other revenue (SSRS and processing) decreased by 24.0% to £39m, a similar rate of decline to that seen in FY20. This reduction is in line with Sage’s strategy to transition away from licence sales and professional services revenue, and to increase the Group’s focus on subscription revenue.

Total Group revenue increased by 1.4% to £447m.

¹ All numbers throughout this document are organic. Organic results exclude contributions from assets held for sale. Full definitions are available in the FY20 results announcement

² Software and software-related services

In line with our strategy to create a simpler and more focused business, Sage announced in December that it has agreed to sell Sage Poland to Mid Europa Partners for £66m, and Sage's business in Asia and Australia (excluding global products) to The Access Group for £95m. These businesses were classified as held for sale and excluded from Sage's organic numbers at the FY20 year end.

Financial position

The Group's balance sheet as at 31 December 2020 remains strong, with cash and available liquidity of £1.2 billion, and net debt of £129m (£151m as at 30 September 2020).

Jonathan Howell, Chief Financial Officer, commented:

"We have continued to deliver against our strategy in the first quarter, growing recurring revenue in line with our plan for the year, supported by good demand for Sage Business Cloud solutions. Accordingly, we reiterate our guidance for the full year, as set out in our FY20 results announcement. While the pandemic increases uncertainty in the near term, we continue to expect that our investment in Sage Business Cloud will drive the growth and long-term success of Sage."

Foreign exchange

Sterling strengthened in the quarter against the US dollar and other international currencies, and weakened against the Euro, leading to a broadly neutral exchange rate impact at the Group level.

Analyst and investor conference call

Jonathan Howell will host a conference call at 8:30am GMT today, which will be webcast via a link on Sage's investor relations website, at www.sage.com/investors. The call may also be accessed using the dial-in number 0800 279 6619 (United Kingdom) or +44 (0) 207 192 8338 (International) and pin code 4389661. A replay of the call will also be available for one week after the event on 0844 571 8951 (United Kingdom) or +44 (0) 3333 009 785 (International), pin code 4389661.

Enquiries

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About Sage

Sage (FTSE: SGE) is the global market leader for technology that provides small and medium businesses with the visibility, flexibility and efficiency to manage finances, operations and people. With our partners, Sage is trusted by millions of customers worldwide to deliver the best cloud technology and support. Our years of experience mean that our colleagues and partners understand how to serve our customers and communities through the good, and more challenging times. We are here to help, with practical advice, solutions, expertise and insight.