



The Sage Group plc
Trading update for the three months ended 31 December 2022

The Sage Group plc (FTSE: SGE), the leader in accounting, financial, HR and payroll technology for small and mid-sized businesses, today issues a trading update for the three months ended 31 December 2022¹.

Jonathan Howell, Chief Financial Officer, commented:

“Sage has made a strong start to the year, in line with our expectations, as Sage Business Cloud solutions help more customers improve their productivity and resilience. While we are mindful of the current macroeconomic environment, we remain confident in our strategy for delivering efficient growth and we reiterate our guidance for the full year, as set out in our FY22 results announcement.”

Underlying Revenue Performance²	Q1 23	Q1 22	% Growth	Organic % Growth
Revenue by Category				
Recurring Revenue	£517m	£460m	+12%	+12%
Other Revenue (SSRS ³)	£23m	£33m	-29%	-27%
Total Revenue	£540m	£493m	+10%	+9%
Recurring Revenue by Region				
North America	£235m	£198m	+18%	+16%
UKIA	£151m	£135m	+12%	+10%
Europe	£131m	£127m	+3%	+6%
Recurring Revenue by Portfolio				
Future Sage Business Cloud Opportunity	£479m	£422m	+14%	+13%
<i>of which Sage Business Cloud</i>	£390m	£298m	+31%	+28%
Non-Sage Business Cloud	£38m	£38m	0%	+1%

Recurring revenue increased by 12% to £517m, underpinned by a 31% rise in Sage Business Cloud revenue to £390m. Software subscription revenue grew by 18% to £422m (Q1 22: £357m), resulting in subscription penetration of 78% (Q1 22: 73%).

Regionally, in North America recurring revenue increased by 18% to £235m, with a strong performance from Sage Intacct alongside growth in cloud connected products. In the UKIA region, recurring revenue grew by 12% to £151m, driven by continued success in cloud native solutions including Sage Intacct and Sage Accounting, together with growth in Sage 50 cloud connected. In Europe, recurring revenue increased by 3% to £131m, with growth across the Sage Business Cloud portfolio partly offset by the disposal of the Swiss business in FY22. Organic recurring revenue growth, which excludes the disposal impact, was 6%.

In terms of recurring revenue by portfolio, the Future Sage Business Cloud Opportunity (products within, or to be migrated to, Sage Business Cloud) grew by 14% to £479m. This was driven by 45% growth in cloud native recurring revenue (35% on an organic basis) to £141m (Q1 22: £98m) primarily through new customer acquisition, as well as further growth in cloud connected supported by migrations. Sage Business Cloud penetration increased to 81% (Q1 22: 71%), enabling more customers to connect to Sage’s digital network.

Other revenue (SSRS) decreased by 29% to £23m, in line with our strategy to transition away from licence sales and professional services implementations.

Total revenue increased by 10% to £540m. On an organic basis (excluding the impact of M&A), total revenue growth was 9%.

¹ In line with Sage’s financial reporting changes announced on 8 December 2022, all figures are on an underlying basis unless otherwise stated. In terms of regional reporting, UKIA comprises Northern Europe (UK & Ireland), Africa & APAC, and Europe comprises France, Central Europe & Iberia.

² Underlying and organic results are presented on a constant currency basis, while organic growth also excludes the impact of M&A. Underlying and organic measures are defined on pages 289-290 of Sage’s FY22 Annual Report.

³ Software and software-related services.

Foreign exchange

Sterling has weakened against the US Dollar and the Euro, leading to an exchange rate tailwind.

Analyst and investor conference call

Jonathan Howell will host a webcast and conference call today at 8.30am UK time. The webcast can be accessed via the following link: <https://edge.media-server.com/mmc/p/vjzkrh3f>. To join the conference call, please register via: <https://register.vevent.com/register/B15f4628e0a0484ad5935bb75b71c977a2>.

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About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and mid-sized businesses (SMBs) served by us, our partners and accountants. Customers trust our finance, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, our digital network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology and experience to tackle digital inequality, economic inequality and the climate crisis.

