The Sage Group plc (the Group) is today issuing its trading update for the nine months ended 30 June 2016.

Financial performance

Group organic revenue increased by 6.0% in the third quarter, delivering growth of 6.1% for the first nine months of the year.

Organic recurring revenue grew by 10.1% for the year to date, continuing the momentum established in the first half of the year, supported by software subscription revenue which grew by 33.2% over the same period. Organic software and software related services (SSRS) revenue continued the trend of the first half with new upfront licence revenues declining as the planned transition to subscription relationships progressed. Processing revenue growth was in line with expectations, with payroll continuing to be stronger than payments.

Regionally, the Group’s performance was driven by continued momentum in Europe and North America, supported by an improved performance from the International region in the third quarter.

Management remains confident of meeting FY16 full year guidance: delivering at least 6% organic revenue growth and 27% organic operating margin.

Steve Hare, Chief Financial Officer, commented:

“The performance for the year to date demonstrates sustained momentum and we are encouraged by the continued double digit growth in high quality recurring revenue.

Our business transformation remains on track and we are focussed on its execution whilst continuing to deliver on our commitments to shareholders, customers and the communities we serve. We take great confidence in the resilience of our strategy and business model to deliver sustainable and high quality growth.”

Foreign exchange

Management continues to monitor the impact of the result of the EU Referendum held in the UK in June 2016. Although conscious of the IMF’s revised growth forecasts, we do not expect there to be a material impact on the underlying operating performance of the business. Exchange rate fluctuations have been a feature of the year to date. The weakening of Sterling at the end of the third quarter relative to the currencies in most of our non-UK operating territories will generate a slight FX tailwind for FY16 if the current exchange rates were to prevail for the remainder of the financial year.
Financial position

The Group’s financial position remains strong and net debt as at 30 June 2016 was £442m (£404m as at 31 March 2016). The increase in net debt during the period is predominantly due to the movement in exchange rates between Sterling and USD/Euro at the end of the third quarter.

Analyst and investor conference call

Management are currently hosting Sage Summit in Chicago, the world's largest event for Entrepreneurs and Small & Medium businesses. Steve Hare, CFO of Sage will be hosting a conference call at 12:00 CDT / 18:00 BST 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) 20 3427 1908 and pin code: 1874015. A replay of the call will also be available for one week after the event: Tel: +44 (0) 20 3427 0598, pin code: 1874015#

Enquiries
The Sage Group plc +44(0) 191 294 3000
Steve Hare, Chief Financial Officer
Simon John, VP Investor Relations

Tulchan Communications +44(0) 20 7353 4200
David Shriver
Jonathan Sibun

About Sage

Sage is the market leader for integrated accounting, payroll and payment systems, supporting the ambition of the world’s entrepreneurs. Sage began as a small business in the UK 30 years ago and over 13,000 colleagues now support millions of entrepreneurs across 23 countries as they power the global economy. We reinvent and simplify business accounting through brilliant technology, working with a thriving community of entrepreneurs, business owners, tradespeople, accountants, partners and developers. And as a FTSE 100 business, we are active in supporting our local communities and invest in making a real difference through the philanthropy of the Sage Foundation.

For more information, visit www.sage.com

ENDS