

Trading update for the nine months ended 30 June 2017

The Sage Group plc (the Group) is today issuing its trading update for the nine months ended 30 June 2017.

Financial performance

Group organic revenue increased by 6.3% in the third quarter, delivering growth of 6.4% in the first nine months of the year. Including North American Payments organic revenue increased by 5.6% in Q3 or 5.7% in the year to 30 June 2017. Management reconfirms current guidance for the full year of at least 6% organic revenue growth including the contribution from North American Payments through to completion of the disposal and an underlying operating margin of at least 27%. For the avoidance of doubt the underlying operating margin guidance includes any investments in Sage Intacct, Sage People and Compass.

Organic recurring revenue for the first nine months grew by 9.3%, driven by software subscription growth of 30.6%. Organic software and software related services (SSRS) revenue declined by 5.9% for the first nine months of the year reflecting the continuing planned migration to subscription as part of the strategy.

North America is showing encouraging progress, driving growth through X3 and the cloud-enabled versions of the Sage 50 and the Sage 200 family.

Excluding France, where performance was flat, organic revenue growth for the remaining business for the nine months to June 30, 2017 was 7.6% with recurring revenue growth of 11.1%. In France, we continue to see the impact of the first-year premium charged in prior years and we have a renewed focus on driving new customer acquisition through the partner channel, with plans in place to encourage growth through this channel with the cloud solutions.

Steve Hare, Chief Financial Officer, commented:

“Performance for the year to date continues to be in line with our expectations and we remain confident of building on this performance in Q4, exiting the year with accelerating momentum.

Today we announced the acquisition of Intacct Corporation (“Intacct”) and we expect to complete this transaction within weeks. In addition to organic revenue we expect Intacct (to be known as Sage Intacct after completion), Sage People (Fairsail) and Compass to add approximately £20m of revenue in this financial year¹.

Foreign exchange

Statutory performance has been positively impacted by movements in key exchange rates during the year in all major currencies, following the EU referendum in June 2016.

Financial position

The Group’s financial position as at 30 June 2017 remains strong with net debt of £415m (£434m as at 31 March 2017).

¹ Excluding any purchase price accounting adjustments, in particular fair value adjustments to deferred revenue upon acquisition.



Analyst and investor conference call

Stephen Kelly, CEO and Steve Hare, CFO, will be hosting a conference call at 17:30 BST today covering both the Q3 results and the acquisition of Intacct, 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 1900, pin code 7387826#. A replay of the call will also be available for one week after the event: dial in number +44 (0) 20 3427 0598, pin 7387826#

Enquiries

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Sage – the market and technology leader for integrated accounting, payroll and payment systems, powered by the cloud and supporting the ambition of the world's entrepreneurs and business builders. Because when business builders do well, we all do.

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