

Trading update for the nine months ended 30 June 2018

The Sage Group plc (the Group) is today issuing its trading update for the nine months ended 30 June 2018.

Financial performance

Group organic¹² revenue increased by 6.8% in the third quarter, delivering growth of 6.5% in the first nine months of the year.

Recurring revenue growth showed some acceleration, increasing to 6.8% in the third quarter and 6.6% for the first nine months of the year, in line with the primary focus on this revenue category as highlighted at the half year results announcement. Within recurring revenue, software subscription increased by 25.0% in the first nine months of the year.

Software and software related services (SSRS) revenue increased by 7.7%, reflecting continuing strong performance in training and services, offset by a decline in licence revenue as the business transitions to subscription.

There has been continued momentum in Sage Business Cloud, with cloud annualised recurring revenue³ (ARR) of £386m, showing sequential growth from the £336m quoted at H1 18 and 56% growth year on year.

North America has continued to perform strongly across the US, Canada and Sage Intacct, with growth driven through both cloud connected and cloud native solutions.

In Europe, Iberia and Central Europe both delivered double digit revenue growth in the quarter and there are early signs of recovery in France, which delivered the strongest quarter since Q4 16. In Northern Europe (UK and Ireland), although performance in the quarter was flat, management have laid the foundations for a stronger FY19 through recurring revenue, adding more cloud connected subscriptions in the third quarter than in the first two quarters of the year, combined.

In the International region, growth has been driven by Africa and Australia, underpinned by recurring revenue, offset by weaker performance in Brazil and Asia.

Steve Hare, Chief Financial Officer, commented:

“We have delivered acceleration in both organic and recurring revenue growth, demonstrating the impact of our primary focus on driving high-quality recurring revenue growth through Sage Business Cloud. We remain confident of achieving full year FY18 guidance of around 7% organic revenue growth and around 27.5% organic operating margin.”

¹ All revenue numbers throughout this document are organic unless otherwise stated.

² The figures quoted in this announcement are unaudited.

³ Annualised recurring revenue is the value of all components of recurring revenue, annualised for the ensuing year.



Foreign exchange

Sterling has strengthened against all major currencies except the Euro in Sage's operating territories, leading to exchange rate headwinds, particularly in the translation of the US Dollar.

Financial position

The Group's financial position as at 30 June 2018 remains strong with net debt of £766m (£744m as at 31 March 2018).

Analyst and investor conference call

Steve Hare, CFO of Sage, will be hosting a conference call at 08:30am 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)330 336 9128 and pin code 2167847. A replay of the call will also be available for one week after the event: dial in number +44 (0) 207 660 0134, pin code 2167847.

Enquiries

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About Sage

Sage is the global market leader for technology that helps businesses of all sizes manage everything from money to people – whether they're a start-up, scale-up or enterprise. We do this through Sage Business Cloud - the one and only business management solution that customers will ever need, comprising Accounting, Financials, Enterprise Management, People & Payroll and Payments & Banking.

For more information, visit sage.com