

## Trading update for the nine months ended 30 June 2019

The Sage Group plc (the Group) is today issuing its trading update for the nine months ended 30 June 2019.

### Financial performance

Group organic<sup>1</sup> total revenue increased by 5.3% to £476m in the third quarter and 5.9% to £1,417m in the first nine months of the year.

Recurring revenue increased by 11.4% to £405m in the third quarter and 10.6% to £1,183m for the first nine months of the year. This was underpinned by software subscription growth of 28.3% to £752m, reflecting the continued focus on attracting new customers and migrating existing customers to subscription and the cloud.

The continuing strong recurring revenue growth in the first nine months of the year has, in part, been assisted by tailwinds from the weaker comparator in the prior year and particular strength in the UKI as new regulations on digital tax submissions attract new and existing customers to the latest version of software.

Software and software related services (SSRS) revenue declined by 15.5% to £195m for the first nine months of the year, reflecting the focus on driving high-quality subscription revenue, as well as some underperformance in X3 licences and services. The combined decline in SSRS and processing revenue in the first nine months was 13.0%.

Regionally, in the first nine months of the year, North America delivered revenue growth of 10.0% to £471m, with 12.3% recurring revenue driven by cloud connected solutions and Sage Intacct. The UKI continued its strong recovery with revenue growth of 7.2% to £300m and 15.6% recurring revenue growth driven by continuing success in Sage 50 cloud connected migrations. France delivered revenue growth of 2.0% to £206m and recurring revenue growth of 5.4%, driven by cloud connected solutions. Recurring revenue performance in other regions was largely in line with performance at H119.

In the portfolio view of revenue, recurring revenue growth of 10.6% reflects growth in the Future Sage Business Cloud Opportunity of 12.7% to £1,011m and flat performance of £172m in the Other portfolio.

Jonathan Howell, Chief Financial Officer, commented:

“We remain encouraged by the progress made in recurring revenue in the first nine months of FY19, reflecting Sage’s focus on high-quality subscription and recurring revenue as we continue the transition to becoming a great SaaS company.

We expect full year FY19 recurring revenue growth to slightly exceed guidance of 8-9% and the combined decline in SSRS and processing revenue to be slightly greater than the decline seen in the first nine months of the year. We expect organic operating profit margin to be at the lower end of the guided range of 23-25%.”

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<sup>1</sup> All numbers throughout this document are organic unless otherwise stated. Full definitions are available in the appendix to the H119 results announcement.

## **Foreign exchange**

Sterling has weakened against the US Dollar, leading to exchange rate tailwinds in the year to date.

## **Newcastle office move**

As announced on 1 July 2019, Sage's flagship UK office is moving from North Park to Cobalt Business Park, both of which are located close to Newcastle, UK. The move will provide leading-edge working facilities to improve colleague experience. There will be a non-cash non-recurring charge in the region of £60m relating to the accelerated depreciation of the North Park building, with approximately 20% of this charge to be recognised in FY19 and the remainder in FY20.

## **Analyst and investor conference call**

Jonathan Howell, CFO will be hosting a conference call at 08:30am today which will be webcast from a link on our investor relations website, [www.sage.com/investors](http://www.sage.com/investors). The call may also be accessed using the dial-in number 0800 376 7922 (United Kingdom) or +44 (0) 2071 928 000 (International) and pin code 7970139. A replay of the call will also be available for one week after the event: dial-in number 0871 700 0471 (United Kingdom) or +44 (0) 3333 009 785 (International), pin code 7970139.

## **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, Sage Intacct, Enterprise Management, People & Payroll and Payments & Banking.