

About Sage

Sage is the global market leader for technology that provides small and medium businesses with the visibility, flexibility and efficiency to manage finances, operations and people. With our partners, Sage is trusted by millions of customers worldwide to deliver the best cloud technology and support.

Meet the team



Steve Hare
CEO



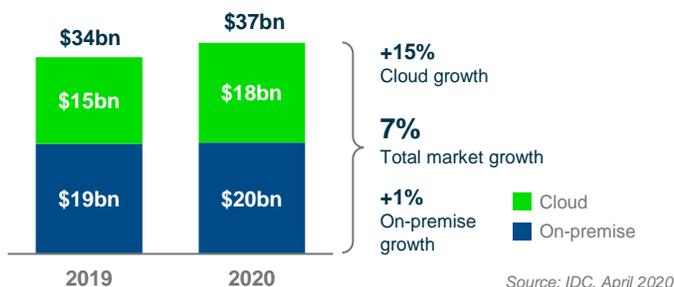
Jonathan Howell
CFO

Investment case

- ✓ **High quality recurring revenue growth**
H1 20: 10% growth in ARR to £1.7bn, with 88% recurring revenue
- ✓ **Efficient capital allocation**
Investing efficiently for growth. H1 20: 22.8% organic operating margin
- ✓ **Strong free cash flow**
H1 20: underlying cash conversion of 127%
- ✓ **Resilient balance sheet**
H1 20: 0.5x net debt to EBITDA, with £1.3bn of cash and available liquidity

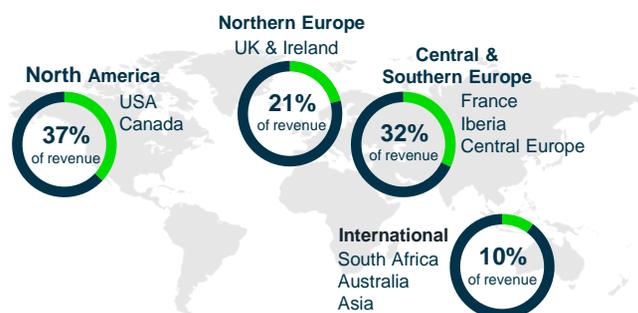
Total addressable market

- Sage's total addressable market is worth \$37bn including 69m businesses
- The market is growing at 7% with cloud spend increasing by 15%



Our global reach

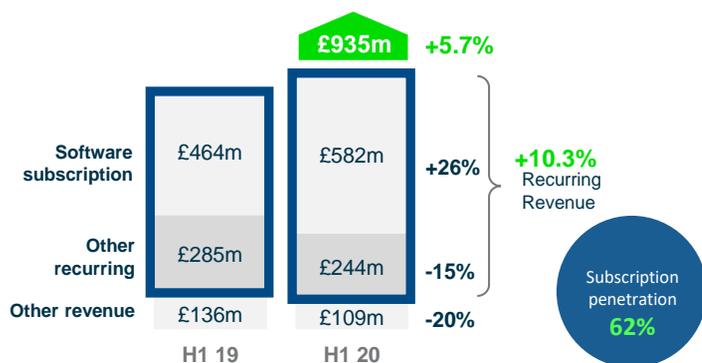
Sage serves millions of customers around the world:



Revenue categories

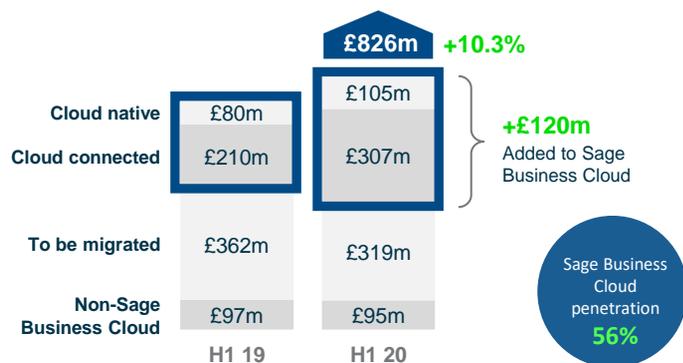
In H1 20 Sage achieved organic total revenue of **£935m**, as follows:

- Recurring revenue of **£826m**, including software subscription and other recurring revenue (i.e. maintenance & support from on-plan customers)
- Other revenue of **£109m**, mainly software and software related services (SSRS) comprising licences and professional services
- Over time, subscription will continue to grow within the revenue mix



Portfolio view of recurring revenue

- Sage Business Cloud is a portfolio of unified cloud native and cloud connected solutions for small and medium businesses
- Sage continues to migrate existing customers and attract new customers to Sage Business Cloud, which added £120m of revenue in H1 20
- Management are considering value creation paths, including disposals, for 'Non-Sage Business Cloud' products and solutions



Financial performance

	H1 20	H1 19	FY19
Recurring revenue growth	+10%	+10%	+11%
Organic total revenue	£935m	£885m	£1,822m
Organic operating profit	£213m	£207m	£432m
Organic operating margin %	22.8%	23.4%	23.7%

FY20 guidance (updated at Q3 20)

- Recurring revenue growth is expected to be in the region of 7% to 8%
- Decline seen in the third quarter in other revenue is expected to continue for the remainder of the year
- Organic operating margin is expected to be around 22%

Sage's Purpose

To transform the way people think and work so their organizations can thrive

Sage's Vision

To become a great SaaS company for customers and colleagues alike

Strategy

Customer success



Taking a customer-centric approach to everything we do

Colleague success



Culture that values individuals and encourages collaboration

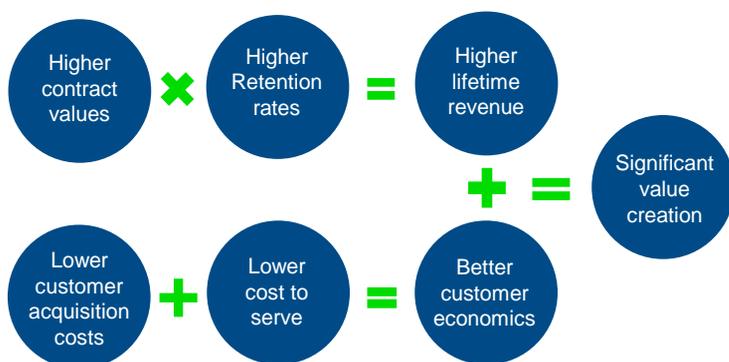
Innovation



Solutions that delight customers and transform how they think and work

Compelling economics of SaaS

By continuing to transition to SaaS, Sage can embrace a closer relationship with customers, leading to better economics and significant value creation.



How Sage builds ARR

- Sage increased ARR by **10%** to **£1.7bn** in H1 20
- Sage seeks to minimise churn and deliver increased value to existing customers, reactivate off-plan customers and attract new customers

	Opening ARR ¹	100%	£1.54bn
Existing customers	-	Churn	
	+	Migration, upsell & cross-sell	
New customers	+	Reactivations	
	+	New customer acquisition	
	Closing ARR	110%	£1.69bn

1. Annualised Recurring Revenue as at 31 March 2019

H1 20 focus and investment – innovation

Sage Business Cloud Vision

The vision for Sage Business Cloud is a digital environment of cloud platforms, applications and services, supported by a thriving partner marketplace. Using Sage's identity management, design system and digital services, Sage Business Cloud creates a unified customer journey, enabling digital connections between individuals and organisations.



Sage Business Cloud portfolio

- Sage is investing significantly in innovation. In H1 20 Sage launched Sage Accounting for Professional Users, expanded Sage Intacct in new geographies, and integrated new services & features across the portfolio.
- Sage will continue to develop Sage Business Cloud to serve both cloud native and cloud connected customers.

	Cloud Connected	Cloud Native	
		Accounting & Financials	People & Payroll
MEDIUM	Sage X3 Sage 200 Cloud	Sage Intacct	Sage People
SMALL	Sage 50 Cloud Sage 50 Payroll	Sage Accounting	CakeHR Sage Payroll
Sage Service Fabric			

Capital allocation priorities



Broad range of 1.0x – 2.0x net debt to EBITDA over the medium term