

## Trading update for the nine months ended 30 June 2021

The Sage Group plc (the “Group”) today announces its trading update for the nine months ended 30 June 2021.

### Financial performance

Organic <sup>1</sup> Revenue Mix	Q3 21 YTD	Q3 20 YTD	Growth YTD	
<b>Revenue by Category</b>				
Recurring Revenue	£1,220m	£1,162m	+£58m	+5%
Other Revenue (SSRS <sup>2</sup> & Processing)	£109m	£134m	-£25m	-18%
Organic Total Revenue	£1,329m	£1,296m	+£33m	+3%
<b>Portfolio View of Recurring Revenue</b>				
Future Sage Business Cloud opportunity	£1,103m	£1,031m	+£72m	+7%
Non-Sage Business Cloud	£116m	£131m	-£15m	-11%
Recurring Revenue	£1,220m	£1,162m	+£58m	+5%

Sage has performed strongly in the first nine months of the year, as momentum in the business continues to strengthen. Recurring revenue increased by 5.0% to £1,220m, supported by software subscription growth of 11% to £920m (Q3 20 YTD: £830m). As a result, subscription penetration increased to 69% (Q3 20 YTD: 64%).

Regionally, North America achieved recurring revenue growth of 7% to £475m (Q3 20 YTD: £445m) mainly reflecting a good performance from Sage Intacct, with continued strength in new customer acquisition. In Northern Europe recurring revenue increased by 4% to £292m (Q3 20 YTD: £281m), driven by accelerating growth in cloud native solutions including Sage Accounting, together with further growth in Sage 50 cloud connected. In International, recurring revenue grew by 4% to £454m (Q3 20 YTD £436m), with particular strength in cloud connected products, together with growth in cloud native solutions.

In terms of the portfolio view of revenue, the Future Sage Business Cloud Opportunity (products within, or to be migrated to, Sage Business Cloud) increased by 7% to £1,103m. This was underpinned by strong growth in cloud native recurring revenue of 32% to £205m (Q3 20 YTD: £155m), primarily through new customer acquisition, and supported by migrations to both cloud native and cloud connected solutions. Sage Business Cloud penetration increased to 66% (Q3 20 YTD: 60%).

In the third quarter, recurring revenue grew by 6.1% to £409m (Q3 20: £385m). This was driven principally by an acceleration in the growth of cloud native revenue, up 37% to £74m (Q3 20: £54m), together with continued growth in cloud connected. This growth has been strengthened by the Group’s programme of additional strategic investment in sales, marketing and innovation.

Other revenue (SSRS and processing) decreased by 18% to £109m in the first nine months of the year, and by 9% to £31m (Q3 20: £34m) in the third quarter, in line with our strategy to transition away from licence sales and low margin professional services implementations.

Total Group revenue increased by 2.6% to £1,329m in the first nine months of the year, and by 5.0% to £440m (Q3 20: £419m) in the third quarter.

<sup>1</sup> All numbers in this document are organic. Organic results exclude contributions from assets held for sale.

<sup>2</sup> Software and software-related services.

## Financial position

Group net debt was £160m as at 30 June 2021 (£96m as at 31 March 2021), with cash and available liquidity of £1.3bn.

## Outlook

Following a strong performance in the third quarter, we now expect full year FY21 recurring revenue growth to be slightly above our previous guidance range of 3% to 5%. The Group's guidance across other metrics remains unchanged.

### Jonathan Howell, Chief Financial Officer, commented:

*"The performance of the Group in the first nine months of the year demonstrates continued delivery against our strategy. Sage's growth is accelerating, driven by increasing demand for Sage Business Cloud solutions, particularly in cloud native, as we support customers in their digital transformation. Through our additional strategic investment, we are building strong foundations to drive further sustainable growth and support the long-term success of the Group."*

## Foreign exchange

Sterling strengthened against the US dollar in the year to date, leading to an exchange rate headwind.

## Analyst and investor conference call

Jonathan Howell will host a conference call at 8:30am BST today, which will be webcast via the following link <https://edge.media-server.com/mmc/p/ugr7vfeu>. The call may also be accessed using the dial-in number 0800 279 6619 (United Kingdom) or +44 (0) 207 192 8338 (International) and pin code 6428008. A replay of the call will also be available for one week after the event on 0844 571 8951 (United Kingdom) or +44 (0) 3333 009 785 (International), pin code 6428008.

## Enquiries

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## About Sage

Sage (FTSE: SGE) 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. Our years of experience mean that our colleagues and partners understand how to serve our customers and communities through the good, and more challenging times. We are here to help, with practical advice, solutions, expertise and insight.