



The Sage Group plc
Trading update for the nine months ended 30 June 2022

The Sage Group plc (FTSE: SGE), the leader in accounting, financial, HR and payroll technology for small and mid-sized businesses, today issues a trading update for the nine months ended 30 June 2022.

Jonathan Howell, Chief Financial Officer, commented:

“Sage has performed strongly in the first nine months of the year, with momentum continuing to build, as more businesses choose Sage Business Cloud solutions to support their digital transformation. As a result, we now expect organic recurring revenue growth for FY22 to be towards the top end of our guidance range of 8% to 9%. While we are mindful of broader macroeconomic trends, I am confident that continued delivery against our strategic priorities will ensure Sage remains well-positioned for the future.”

Organic Revenue Performance¹	Q3 22 YTD	Q3 21 YTD	Growth YTD	
Revenue by Category				
Recurring Revenue	£1,330m	£1,223m	+£107m	+9%
Other Revenue (SSRS ²)	£82m	£109m	-£27m	-25%
Organic Total Revenue	£1,412m	£1,332m	+£80m	+6%
Portfolio View of Recurring Revenue				
Future Sage Business Cloud Opportunity	£1,226m	£1,107m	+£119m	+11%
<i>of which Sage Business Cloud</i>	£886m	£736m	+£150m	+20%
Non-Sage Business Cloud	£104m	£116m	-£12m	-11%
Recurring Revenue	£1,330m	£1,223m	+£107m	+9%

Recurring revenue for the first nine months of the year increased by 9% to £1,330m, driven by a 20% rise in Sage Business Cloud revenue to £886m. Software subscription revenue grew by 14% to £1,051m (Q3 21 YTD: £922m), resulting in subscription penetration of 75% (Q3 21: 69%).

Regionally, North America achieved recurring revenue growth of 13% to £557m (Q3 21 YTD: £493m), with a strong performance from Sage Intacct alongside growth in cloud connected products. In Northern Europe recurring revenue grew by 7% to £311m (Q3 21 YTD: £291m), driven by continued success in cloud native solutions including Sage Accounting, Sage Intacct and Sage HR, supported by growth in Sage 50 cloud connected. In International, recurring revenue increased by 5% to £462m (Q3 21 YTD: £439m), with growth across the Sage Business Cloud portfolio.

In terms of the portfolio view of recurring revenue, the Future Sage Business Cloud Opportunity (products within, or to be migrated to, Sage Business Cloud) increased by 11% to £1,226m. This was driven by strong growth in cloud native recurring revenue of 42% to £297m (Q3 21 YTD: £209m) primarily through new customer acquisition, together with further growth in the cloud connected portfolio supported by progress in migrations. Sage Business Cloud penetration increased to 72% (Q3 21: 67%).

In the third quarter, recurring revenue grew by 10% to £464m (Q3 21: £423m), with growth accelerating as the year has progressed, supported by continued investment in sales, marketing and innovation.

Other revenue (SSRS) decreased by 25% to £82m in the first nine months of the year and by 25% to £24m (Q3 21: £32m) in the third quarter, in line with our strategy to transition away from licence sales and professional services implementations.

Total Group revenue increased by 6% to £1,412m in the first nine months of the year, and by 7% to £488m (Q3 21: £456m) in the third quarter.

¹ All numbers in this document are organic. Organic results exclude contributions from assets held for sale and in-year acquisitions.

² Software and software-related services.

Outlook

Following a strong performance in the third quarter, we now expect organic recurring revenue growth for FY22 to be towards the top end of our guidance range of 8% to 9%. The Group's guidance across other metrics remains unchanged.

Foreign exchange

Sterling has weakened against the US dollar but strengthened against the Euro, leading to a slight exchange rate tailwind in the first nine months of the year.

Analyst and investor conference call

Jonathan Howell will host a webcast and conference call today at 8.30am UK time. The webcast can be accessed via the following link: <https://edge.media-server.com/mmc/p/m5fxihqq>. To join the conference call, please register via: <https://register.vevent.com/register/Blbacac033b69c40baabd2b03e15df7835>.

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About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and mid-sized businesses served by us, our partners and accountants. Customers trust our finance, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, our digital network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology and experience to tackle digital inequality, economic inequality and the climate crisis.

