



The Sage Group plc
Trading update for the nine months ended 30 June 2023

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 2023¹.

Jonathan Howell, Chief Financial Officer, commented:

“Sage has performed strongly throughout the first nine months, in line with our expectations, as we help small and mid-sized businesses become more productive and resilient. Sage continues to build strong momentum, driving the delivery of sustainable, efficient growth. Accordingly, we reiterate our guidance for the full year, as set out in our half year results announcement.”

Underlying Revenue Performance²	Q3 23 YTD	Q3 22 YTD	Growth	Organic Growth
Revenue by Category				
Recurring Revenue	£1,562m	£1,394m	+12%	+12%
Other Revenue (SSRS ³)	£68m	£87m	-22%	-21%
Total Revenue	£1,630m	£1,481m	+10%	+10%
Recurring Revenue by Region				
North America	£702m	£603m	+16%	+15%
UKIA	£456m	£412m	+11%	+9%
Europe	£404m	£379m	+7%	+8%
Recurring Revenue by Portfolio				
Future Sage Business Cloud Opportunity	£1,449m	£1,283m	+13%	+12%
<i>of which Sage Business Cloud</i>	£1,201m	£930m	+29%	+28%
Non-Sage Business Cloud	£113m	£110m	+3%	+3%

Recurring revenue for the first nine months of the year increased by 12% to £1,562m, underpinned by a 29% rise in Sage Business Cloud revenue to £1,201m. Software subscription revenue grew by 17% to £1,286m (Q3 22 YTD: £1,098m), resulting in subscription penetration of 79% (Q3 22: 74%).

Regionally, recurring revenue in North America grew by 16% to £702m, with a strong performance from Sage Intacct together with growth in cloud connected products. In the UKIA region, recurring revenue increased by 11% to £456m, reflecting strength in cloud native small business solutions and Sage Intacct, alongside growth in Sage 50 cloud. In Europe, recurring revenue increased by 7% to £404m, with growth across Sage Business Cloud.

In terms of recurring revenue by portfolio, the Future Sage Business Cloud Opportunity (products within, or to be migrated to, Sage Business Cloud) grew by 13% to £1,449m. This was driven by 36% growth in cloud native recurring revenue (31% on an organic basis) to £436m (Q3 22 YTD: £322m) primarily through new customer acquisition, as well as further growth in cloud connected products. Sage Business Cloud penetration increased to 83% (Q3 22: 73%), enabling more customers to connect to Sage’s cloud services and ecosystem via Sage’s digital network.

In the third quarter, recurring revenue increased by 11% to £523m (Q3 22: £469m) against a strengthening comparator, driven by continued growth across the Sage Business Cloud portfolio.

Other revenue (SSRS) decreased by 22% to £68m in the first nine months of the year and by 16% to £20m (Q3 22: £24m) in the third quarter, in line with our strategy to transition away from licence sales and professional services implementations.

¹ All figures are on an underlying basis unless otherwise stated.

² Underlying and organic results are presented on a constant currency basis, while organic growth also excludes the impact of M&A. Underlying and organic measures are defined on pages 289-290 of Sage’s FY22 Annual Report.

³ Software and software-related services.

Total revenue increased by 10% to £1,630m in the first nine months of the year, and by 10% to £543m (Q3 22: £493m) in the third quarter.

Foreign exchange

Sterling has weakened against the US Dollar and the Euro compared with the prior period, leading to an 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/f5c4xdn5>. To join the conference call, please register via: <https://register.vevent.com/register/Bldcf248b33f4442bdbf54e32c9c4951cf>.

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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 (SMBs) 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.

