Sage Group plc Preliminary Results for the year ending 30 September 2015
Agenda:

- Executive summary
- CFO review of the year
- Progress
- Outlook
- Q&A
The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated ("relevant persons"). Any person who is not a relevant person should not act or rely on this presentation or any of its contents. Information in the following presentation relating to the price at which relevant investments have been bought or sold in the past or the yield on such investments cannot be relied upon as a guide to the future performance of such investments.

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Safe harbor statement

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Summary

- Financial targets achieved
- New chapter
- Transformation underway
- Momentum building
- Strong business model
Steve Hare
Chief Financial Officer
Financial targets achieved

Momentum created for sustainable growth

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic revenue</td>
<td>£1,357m</td>
<td>£1,272m</td>
<td>+6.7%</td>
</tr>
<tr>
<td>Recurring revenue</td>
<td>£1,010m</td>
<td>£930m</td>
<td>+8.5%</td>
</tr>
<tr>
<td>Processing revenue</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>SSRS revenue</td>
<td>£348m</td>
<td>£341m</td>
<td>+1.9%</td>
</tr>
<tr>
<td>Organic operating profit</td>
<td>£383m</td>
<td>£349m</td>
<td>+9.6%</td>
</tr>
<tr>
<td>Organic operating profit margin</td>
<td>28.2%</td>
<td>27.5%</td>
<td>+70bps</td>
</tr>
</tbody>
</table>
### Financial targets achieved

Momentum created for sustainable growth

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<tr>
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<th>FY15</th>
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<td>Organic revenue</td>
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<td>£1,400m</td>
<td>£1,321m</td>
<td>+6.0%</td>
</tr>
<tr>
<td>• Recurring revenue</td>
<td>£1,010m</td>
<td>£930m</td>
<td>+8.5%</td>
<td>£953m</td>
<td>£874m</td>
<td>+9.0%</td>
</tr>
<tr>
<td>• Processing revenue</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td>£161m</td>
<td>£158m</td>
<td>+1.7%</td>
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<td>+8.3%</td>
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<td>Organic operating profit margin</td>
<td>28.2%</td>
<td>27.5%</td>
<td>+70bps</td>
<td>27.1%</td>
<td>26.5%</td>
<td>+60bps</td>
</tr>
</tbody>
</table>
### Transition to subscription

Deferral and reclassification of upfront payments

<table>
<thead>
<tr>
<th>FY15</th>
<th>Previous basis</th>
<th>Deferral and reclassification</th>
<th>Referral Commissions</th>
<th>Separate presentation of processing</th>
<th>Revised basis</th>
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<td>Organic revenue</td>
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<td>(£3m)</td>
<td>-</td>
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</tr>
</tbody>
</table>
Transition to subscription

Subscription

Licence to use

Maintenance and Support

Perpetual licence

Maintenance and Support

Customer evolution – transition to subscription
## Referral commissions

### Gross-up of referral commissions

<table>
<thead>
<tr>
<th>FY15</th>
<th>Previous basis</th>
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<tbody>
<tr>
<td></td>
<td>£1,010m</td>
<td>-</td>
<td>£348m</td>
<td>£1,357m</td>
</tr>
<tr>
<td></td>
<td>(£158m)</td>
<td></td>
<td>(£3m)</td>
<td>-</td>
</tr>
</tbody>
</table>

Separate presentation of processing revenue.

<table>
<thead>
<tr>
<th>Revised basis</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>(£161m)</td>
<td>-</td>
</tr>
</tbody>
</table>

Change in organic revenue.
# Impact of Revenue Reporting Changes

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<tr>
<th>FY15</th>
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<td>Recurring revenue</td>
<td>£1,010m</td>
<td>£55m</td>
<td>£46m</td>
<td>(£158m)</td>
<td>£953m</td>
<td>(£57m)</td>
</tr>
<tr>
<td>Processing revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>£161m</td>
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<td>£348m</td>
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<td>-</td>
<td>(£3m)</td>
<td>£287m</td>
<td>(£61m)</td>
</tr>
<tr>
<td>Organic revenue</td>
<td>£1,357m</td>
<td>(£3m)</td>
<td>£46m</td>
<td>-</td>
<td>£1,400m</td>
<td>£43m</td>
</tr>
</tbody>
</table>
### Financial targets achieved

Momentum created for sustainable growth

<table>
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<tr>
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<th>Previous basis</th>
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<tr>
<td>Organic operating profit margin</td>
<td>28.2%</td>
<td>27.5%</td>
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## Financial progress

Key organic revenue growth movements

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<th>FY14</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td><strong>Organic revenue</strong></td>
<td>1,400</td>
<td>1,321</td>
<td>+6%</td>
</tr>
<tr>
<td>Non-organic revenue</td>
<td>36</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying revenue</strong></td>
<td>1,436</td>
<td>1,321</td>
<td>+9%</td>
</tr>
<tr>
<td><strong>Underlying Operating profit</strong></td>
<td>380</td>
<td>350</td>
<td>+8%</td>
</tr>
<tr>
<td>Underlying profit after tax</td>
<td>268</td>
<td>250</td>
<td>+11%</td>
</tr>
<tr>
<td><strong>Underlying Earnings per share</strong></td>
<td>25.00p</td>
<td>22.19p</td>
<td>+12.6%</td>
</tr>
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</table>

Note: Underlying operating profits stated after:

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>Share based payments</td>
<td>(9)</td>
<td>(8)</td>
</tr>
<tr>
<td>Underlying Depreciation and amortisation</td>
<td>(29)</td>
<td>(29)</td>
</tr>
<tr>
<td>Non-GAAP EBITDA</td>
<td>418</td>
<td>387</td>
</tr>
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</table>
### Strong cash metrics

<table>
<thead>
<tr>
<th>Underlying operating profit</th>
<th>£380m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying cash flow from operating activities</td>
<td>£403m</td>
</tr>
<tr>
<td>Depreciation/Amortisation</td>
<td>£29m</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>(£9m)</td>
</tr>
<tr>
<td>Working and Capital and other balance sheet movements</td>
<td>£5m</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>(£20m)</td>
</tr>
</tbody>
</table>

Free cash flow | £296m |

M&A | (£98m) |
Net share buy-back | (£12m) |
Ordinary dividends | (£134m) |
Exchange movement on debt | (£40m) |

Closing net debt | £425m |

Opening net debt | £437m |

Underlying operating profit | £380m |
Underlying cash flow from operating activities | £403m |
Free cash flow | £296m |
Exchange movement on debt | (£40m) |
Revenue categories

FY14
- Software subscription
- Other recurring
- Processing
- SSRS

FY15
- Software subscription
- Other recurring
- Processing
- SSRS

+29%
+9%
+1%
+2%
-1%
Investing for growth

- Improved features
- Core product modernisation
- Cloud

Global products

Growth

- 87% R&D
- 91% S&M
Software subscriber growth

ASB revenue bridge
Regional overview

- Europe
- North America
- International
Europe

**What went well**

31% UKI subscription growth
- Increased functionality and cloud enablement
- Sage 50 Accounts & Payroll

22% France subscription growth
- Ciel cloud enablement
- Sage Paie i7 upgrade

**Focus**

1% Enterprise contraction
- Sales structure reorganised
- 5% Sage X3 growth
  - 19% excluding France

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY15</th>
<th>FY14</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>560</td>
<td>519</td>
<td>+7.8%</td>
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<tr>
<td>Processing</td>
<td>32</td>
<td>30</td>
<td>+9.0%</td>
</tr>
<tr>
<td>SSRS</td>
<td>153</td>
<td>159</td>
<td>-3.6%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>745</strong></td>
<td><strong>708</strong></td>
<td><strong>+5.3%</strong></td>
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</table>

**Recurring Mix**

- **75%**
  - FY14: 73%
North America

What went well

8% Sage 50 revenue growth
- Launched Sage Drive in Canada
- 5 fold increase in subscription revenue across NA

Sage X3 growth of 19%

Focus

1% Payments Processing contraction
- ISO channel
- Cross-sell capability

4% SMB revenue growth
- Reinvigorated partner programme
- Launch of cloud versions of Sage 100 and 300

Recurring Mix 58%
FY14: 55%

<table>
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<th>FY15</th>
<th>FY14</th>
<th>Growth</th>
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<tbody>
<tr>
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<td>260</td>
<td>238</td>
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<tr>
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<tr>
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<tr>
<td>Total</td>
<td>450</td>
<td>433</td>
<td>+3.9%</td>
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</tbody>
</table>
What went well

33% growth in Sage X3

Sage One launches

• Malaysia, Brazil and Australia

One-off SSRS growth in Malaysia

• £3.5m added in licence sales, driven by GST regulation changes

Focus

Brazil

• Strong performance despite economic conditions

• Acquired new customers for global products

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Recurring Mix

65%

FY14: 65%

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<table>
<thead>
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<th>FY14</th>
<th>Growth</th>
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<tr>
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<td>57</td>
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<tr>
<td>Total</td>
<td>205</td>
<td>181</td>
<td>+13.6%</td>
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</table>
Capacity for growth

- 19% G&A baseline
- 139 sites
- £50m annualised savings
- 2 year payback
Summary

- Targets achieved
- Momentum building
- Strong cash flow
Stephen Kelly
Chief Executive Officer
From Invention to Re-imagination

PC Era

Sage invented business software for computers

The Golden Triangle

- Payroll & HR
- Payments
- Accounting

Global reach | Tradition of innovation | Trusted
Progress

Customers for Life
Putting our customers at the heart of everything we do to provide exceptional experiences.

One Sage
Our culture, underpinning the entire strategy and defining what it means to work at Sage.

Winning in the Market
Outpacing market growth to gain market share and realise our ambition to be the market leader.

Capacity for Growth
Building a global operating model that scales, leveraging our global footprint.

Revolutionise Business
Using smart technology to make our customers’ lives easier, giving them more time to focus on creating value.
Momentum building

Customers for life

- Renewal rates up to 84%
- 690,000 software subscription contracts
- UKI Sage Pay and Sage Accounting cross sell growth at 160%
Momentum building

- Sage One 100% growth to 173,000 paying subscriptions
- 11% Sage X3 revenue growth
- New digital marketing capability with CBC launches in Atlanta and Dublin

Winning in the market

Sage One subscriptions

Thousands

<table>
<thead>
<tr>
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<th>Sep-13</th>
<th>Mar-14</th>
<th>Sep-14</th>
<th>Mar-15</th>
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<td>UK</td>
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<td>Global</td>
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</tbody>
</table>

29
Momentum building

- Sage Live launched to market in 26 weeks
- Sage Impact created in 51 days
- Over 200 enhancements across our growth products
Momentum building

- £20m re-invested for growth
- Scalable process, systems and capability
- Major recruitment of senior talent

Top 100 Leaders:

- 24 New joiners
- 14 Promotions

Capacity for growth
Momentum building

- Aligned goals, compensation and bonus
- Common organisational design
- Shared values

One Sage
Progress

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Outlook

- Organic revenue growth at least **6%**
- Organic operating margin at least **27%**

- Long-term sustainable growth
- Improving quality of the margin
- Continuous focus on strong cash conversion
Summary

- Financial targets achieved
- New chapter
- Transformation underway
- Momentum building
- Strong business model
Q&A
Financial targets achieved with momentum for sustainable growth