

Trading update for the three months ended 31 December 2021

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 three months ended 31 December 2021.

Jonathan Howell, Chief Financial Officer, commented:

“Sage has made a strong start to the year, accelerating growth in line with expectations. Sage Business Cloud has performed particularly well, driven by continued growth in both cloud native and cloud connected solutions, as we execute on our strategy to be the trusted network for small and mid-sized businesses. Accordingly, we reiterate our guidance for the full year, as set out in our FY21 results announcement.”

Financial performance

Organic Revenue Mix ¹	Q1 22	Q1 21	Growth	
Revenue by Category				
Recurring Revenue	£429m	£398m	+£31m	+8%
Other Revenue (SSRS ² & Processing)	£29m	£37m	-£8m	-22%
Organic Total Revenue	£458m	£435m	+£23m	+5%
Portfolio View of Recurring Revenue				
Future Sage Business Cloud opportunity	£394m	£357m	+£37m	+10%
<i>of which Sage Business Cloud</i>	£280m	£232m	+£48m	+21%
Non-Sage Business Cloud	£35m	£41m	-£6m	-15%
Recurring Revenue	£429m	£398m	+£31m	+8%

Recurring revenue grew by 8% to £429m, underpinned by a 21% rise in Sage Business Cloud revenue to £280m, with continued strength in new customer acquisition. Software subscription revenue grew by 13% to £336m (Q1 21: £296m), increasing subscription penetration to 73% (Q1 21: 68%).

Regionally, North America achieved growth in recurring revenue of 11% to £174m (Q1 21: £157m) reflecting further strength in Sage Intacct, together with growth in cloud connected products. In Northern Europe, recurring revenue increased by 7% to £102m (Q1 21: £96m), driven by accelerating growth in cloud native solutions including Sage Accounting and Sage Intacct. In International, recurring revenue increased by 5% to £152m (Q1 21: £145m), with growth across Sage Business Cloud supported by further progress in migrations.

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) grew 10% to £394m. This was driven by strong growth in cloud native revenue of 44% to £90m (Q1 21: £62m) primarily through new customer acquisition, as well as further growth in the cloud connected portfolio. Sage Business Cloud penetration increased to 71% (Q1 21: 65%).

Other revenue (SSRS and processing) decreased by 22% to £29m, in line with our strategy to transition away from licence sales and professional services implementations.

Total Group revenue increased by 5% to £458m.

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.



On 17 January 2022, Sage completed the previously announced acquisition of Brightpearl, a cloud native multichannel retail management system for the retail and ecommerce vertical. The acquisition accelerates our strategy for growth, including scaling Sage Intacct, broadening the value proposition for mid-sized businesses and expanding Sage's digital network.

Foreign exchange

Sterling strengthened in the quarter against the US dollar and Euro, leading to an exchange rate headwind.

Analyst and investor conference call

Jonathan Howell will host a conference call at 8.30am UK time, which can be accessed via the following link <https://edge.media-server.com/mmc/p/44qb4uyo>. The call may also be accessed using the dial-in number 0800 279 6619 (United Kingdom) or +44 (0) 20 7192 8338 (International) and pin code 4589027.

Enquiries

Sage +44 (0) 7900 046714

Jonathan Howell, Chief Financial Officer
James Sandford, Investor Relations
Amy Lawson, Corporate PR

Finsbury Glover Hering +44 (0) 20 7251 3801

Conor McClafferty
Amanda Healy

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.