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Acquisition of PayChoice strengthens Sage's position in the US market

The Sage Group plc ("Sage") announces an agreement to acquire PAI Group, Inc. ("PayChoice"), a provider of payroll and HR services for small and medium-sized businesses ("SMBs") in the US. The acquisition accelerates Sage's move to the Cloud in this market by leveraging PayChoice's Software as a Service ("SaaS") platform.

PayChoice is an attractive fit with Sage, and strengthens Sage's position in the large and growing US payroll market. PayChoice's product portfolio provides easy to use online payroll solutions to SMBs, and strengthens the Sage value proposition to customers with a more robust and comprehensive offering. The combined portfolio provides attractive growth opportunities, particularly through new customer acquisition and cross-sell to the combined customer base. PayChoice is a profitable business with a high proportion of recurring subscription revenue. The consideration payable is US\$157.8m (£96.9m*) in cash. The transaction is subject to customary closing conditions and is expected to be completed in October 2014.

Commenting on the acquisition, Pascal Houillon, CEO of Sage North America, said:

"PayChoice is an excellent business, with a strong management team, attractive cloud platform and a proven business model based on supporting the needs of small and medium-sized businesses and licensees. We are excited about the growth opportunity that the combination of Sage and PayChoice creates in this market and delighted to welcome the management and staff of PayChoice to Sage."

Robert Digby, CEO of PayChoice, added:

"PayChoice is thrilled to become a part of Sage. We already share so many synergies: our heritage of supporting SMBs, our culture, our emphasis on customer experience, and our focus on accountants and financial institutions. This is a great move for our company and we see nothing but tremendous opportunity in the future."

*Converted at £1 = US\$1.628

Enquiries

The Sage Group plc +44 (0) 191 294 4190

Guy Berruyer, Chief Executive Officer

Steve Hare, Chief Financial Officer

Murdo Montgomery, Investor Relations

Tulchan Communications +44 (0) 20 7353 4200

David Shriver

Jonathan Sibun

About PayChoice

Founded in 1990, PayChoice is headquartered in New Jersey with 260 employees and 16 offices across the US. PayChoice provides full-service and self-service payroll and HR services to more than 100,000 SMBs in the US, through a direct sales force and third-party licensee channel. PayChoice's revenue for FY13 was US\$38.9m.

PayChoice has developed a next generation, cloud-based payroll and reporting platform called ENCORE. The platform, which was launched in September 2011, encompasses both mobile and web-based payroll applications, operating from a single codebase for both its direct and licensee clients. ENCORE supports the needs of businesses with self-service solutions through to more complex full-service solutions on the same platform, supporting the needs of SMBs as they grow.

PayChoice is a portfolio company of Great Hill Partners, Baird Venture Capital and North Hill Ventures. Raymond James & Associates acted as financial advisor and Goodwin Procter LLP served

as legal advisor to PayChoice. William Blair & Company acted as financial advisor and Skadden, Arps, Slate, Meagher & Flom LLP served as legal advisor to Sage.

About The Sage Group plc

We provide small and medium sized organisations with a range of easy-to-use, secure and efficient business management software and services - from accounting and payroll, to enterprise resource planning, customer relationship management and payments. Our customers receive continuous advice and support through our global network of local experts to help them solve their business problems, giving them the confidence to achieve their business ambitions. Formed in 1981, Sage was floated on the London Stock Exchange in 1989 and entered the FTSE 100 in 1999. Sage has over 6 million customers and more than 12,700 employees in 24 countries covering the UK & Ireland, mainland Europe, North America, South Africa, Australia, Asia and Brazil. For further information please visit www.sage.com