



SMALL CAP SHARE COMMENT
Commissioned Commentary

SANDERSON GROUP (AIM:SND)
Share price 63.5p

Trading update before preliminaries

Date: 27th October 2015

Sector: Software & Computer Services

Market Cap: c£35m

www.sanderson.com

The software and IT services business specialising in multi-channel retail and manufacturing markets in the UK and Ireland, has issued a solid pre-close trading update ahead of the announcement of its preliminary results for the year ended 30th September 2015.

- Trading Results in line

The trading results for the year ended 30th September 2015 are in line with market expectations and will show Group revenue growing to over £19.0 million (2014: £16.4 million) and adjusted operating profit (stated before the amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related costs) growing to over £3.3 million (2014: £2.8 million).

- Strong growth from One iota

Management spoke of the Group's continued investment in its product and service offerings.

A particular focus of Group investment is in the multi-channel retail business to further enable the adoption and application of digital and mobile technologies into the retail market.

One iota, the Group's mobile commerce business focused on delivering cloud-based solutions accessed via mobile, tablet and in-store devices, achieved revenue growth of over 75% in the year.

The Group expects that it will continue to achieve significant growth in this rapidly developing digital retail market, as retailers seek to adopt technology in order to transform the shopping experience for their connected customers, as well as, to boost their revenues.

The manufacturing division, the part of the business which is focused on supplying customers operating in the food and drink processing market experienced slower trading conditions with some project and order delays. However, a large new customer order has been received since the year-end and trading prospects for the current financial year are much improved.

Proteus Software Ltd, acquired in December 2014 and a provider of specialist warehouse management solutions has made a positive contribution in its first year as part of Sanderson.

-Board remain confident on year ahead

Management commented that the overall economic environment appears 'mixed' and sales cycles continue to be protracted. The deployment and use of mobile technologies is continuing to develop with market demand accelerating. In the coming year, management expects to focus further efforts on delivering growth across the Group's businesses but especially from the newly emerging digital retail market. Further complementary acquisitions will continue to be carefully considered by the Board.

Sanderson has maintained a strong balance sheet with £4.4m cash and has a robust business model built upon long-term relationships with customers which generate strong recurring revenues, currently representing over 52% of total revenue.

Management believes that the Group is well positioned in its target markets.

The Board are confident that, at this early stage of the new financial year, the Group will make further progress and deliver trading results which





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are, at least, in line with market expectations for the year ending 30 September 2016.

- Forecasts

Current year forecasts for the full year ending September 2016 are for sales of £20m, normalised profit before tax of £3.3m, normalised earnings per share of 5p and a dividend of 2p offering a yield of c3%.

At the current share price of 65p this results in a current year multiple of approximately 13x normalised earnings.

Preliminaries will be announced on 1st December 2015.

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