



**Sanderson Group PLC** - SND Pre-Close Trading Update  
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## **SANDERSON GROUP PLC**

### **Pre-close Trading Update**

"Strong organic revenue growth driven by continuing high levels of sales order intake"

Sanderson Group plc ('Sanderson' or 'the Group'), the software and IT services business specialising in digital retail technology and enterprise software for businesses operating in the manufacturing, wholesale distribution and logistics sectors, issues the following trading update ahead of the announcement of its interim results for the six months ended 31 March 2017 which are scheduled to be released on 24 May 2017.

The Group's trading results for the six-month period ending 31 March 2017 are in line with management's expectations with revenue growing by 10.5% to £10.90 million (H1 2016: £9.86 million) and operating profit (stated before the amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related costs) increasing to £1.55 million (H1 2016: £1.47 million). Gross margins were lower during the half-year reflecting the initial roll-out and installation of network, communications and hardware infrastructure necessary for the implementation of Sanderson solutions at new customer sites. Pre-contracted recurring revenues increased to £5.40 million (H1 2016: £5.19 million) whilst operating expenses increased by approximately £0.55 million as the Group continues to invest in management, sales and delivery capacity in expectation of further growth in the digital retail market.

Sales order intake has remained strong and has continued at near record levels. Reflecting both this sales success as well as the investment in implementation and delivery capability, the Group order book at 31 March 2017 stood at a much better balanced and more manageable level across the Group's businesses at £2.78 million. This compares with £3.02 million at the previous financial year-end on 30 September 2016.

The net cash balance at 31 March 2017 was £ 4.51 million (31 March 2016: £3.39 million) reflecting continuing strong cash generation.

### **Digital Retail Division**

Digital Retail, which operates in very active and rapidly developing markets, continued to make progress. Revenue grew by 20% compared with the comparable prior year period and sales order intake increased by almost 50%. The value of orders from new customers in the period has been good and sales prospects remain strong with a number of pilot schemes for prospective customers being planned for initial deployment in the current financial year.

### **Enterprise Division**

The Enterprise Division, which has benefited from increased investment in its sales and marketing capability, has continued to make progress. The Manufacturing business is increasingly driven by the food and drink processing sector where the Group has a strong presence. The Group businesses which focus on the supply of solutions to the wholesale distribution sector have also continued to trade well, as has the business focused upon order fulfilment and distribution. The Enterprise Division enters the second half of the financial year with both a good order book as well as a good list of sales prospects.

### **Strategy and Outlook**

Management will continue to adopt a careful and measured approach to acquisitions, with the priority being very much focused on delivering shareholder value through sustained organic growth and by delivering 'on target' results, thereby ensuring increased earnings and dividend returns to shareholders. The Board remains keen to enhance the strength of the Group by selective complementary acquisitions and notwithstanding that the last acquisition was in December 2014, further opportunities are constantly under consideration and development.

The Board continues to be cautious in its approach, sensitive to market conditions and endeavours to monitor the general economic environment carefully. Notwithstanding any potential uncertainty which may result from the forthcoming Brexit negotiations, Sanderson has a good order book and together with a healthy balance sheet, a strong reputation and track record and with good sales momentum in its target markets, the Board has a good level of confidence that the Group will continue to make further progress during the current financial year ending 30 September 2017.

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