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Sanderson Group – Positive Trading Update + More Favourable New Banking Facility = Increased Target Price 58p (47p); Reiterate Recommendation of Buy

Sanderson Group, the software and IT services business specialising in the multi-channel retail and manufacturing markets, this morning announced that refinancing discussions had been successfully concluded early and that trading remains in line with expectations.

HSBC has replaced the Royal Bank of Scotland as the group's banker after it advanced a competitive £7.4 million 4-year term loan together with a £1million working capital facility that should generate significant annual cost savings of about £0.3 million. Sanderson will charge an exceptional finance expense of about £0.4m in its profit & loss account for the financial year ending 30th September 2011 for the unamortised portion of the previous lender's fees including an early repayment charge.

Sanderson continues to experience good trading momentum for its manufacturing and multi-channel businesses, despite the more challenging high street retail market. Additionally, the group's strong order book has continued to grow with new customers being won across all markets, including two new high street retailers. And '*...full year pre-taxation profits (financial year ended 30th September 2011), stated before the charge associated with refinancing referred to above are expected to be in line with current market expectations. ...*' While our 2012 pre-tax profit and earnings per share expectations have been increased £0.3 million to £3.2 million and 0.5p to 5.8p respectively to reflect the full benefit of the more favourable lending facility.

We continue to value Sanderson on a 2012 P/E multiple of 10x or 58p per share, a substantial discount to its sector's 18.4 x multiple. Nevertheless, as the group continues to deleverage its balance sheet and grow its order book, we expect that valuation gap to narrow. Moreover, an investment is supported by an attractive and growing dividend yield. Therefore, with the shares trading at 37.5p and an undemanding target price of 58p we reiterate our recommendation of **Buy**.

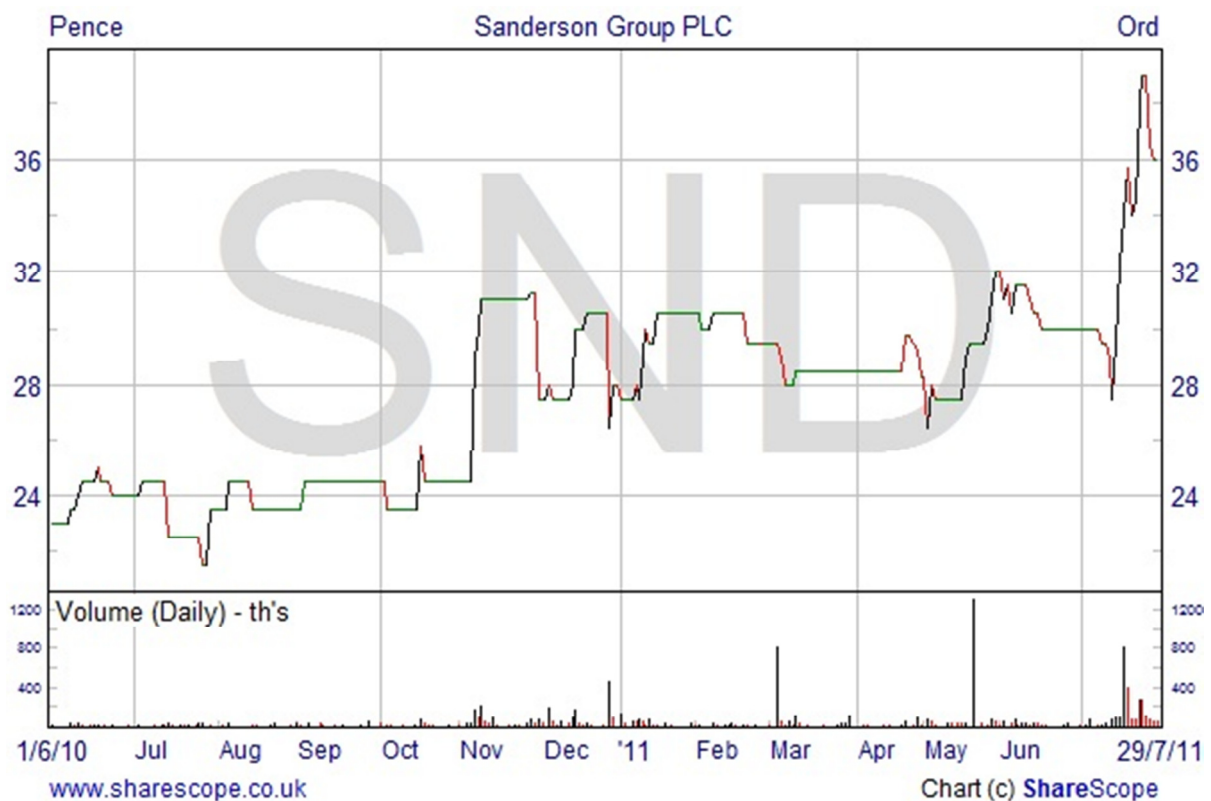
Forecasts Table

Year ending	Revenues (£ million)	Adj. Pre-tax profits (£ million) ¹	Adjusted EPS (p) ¹	PE Ratio (x)	Dividend per share (p)	Yield (%)
30 September						
2009A	24.9	1.1	4.2	8.9	0.5	1.3
2010A	27.0	1.9	3.6	10.4	0.6	1.6
2011E	27.3	2.4	4.7	8.0	0.8	2.1
2012E	28.5	3.2	5.8	6.5	1.0	2.7

Source: Growth Equities & Company Research

Notes: ¹ before exceptional items, share based payments, goodwill impairment and amortisation.

Key Data	
EPIC	SND
Share Price	37.5p
Spread	36p - 39p
NMS	2,000
Total no of Shares	43.4 million
Market Cap	£16.3 million
12 Month Range	23.5p - 39p
Market	AIM
Website	www.sanderson.com
Sector	Software & Computer Services
Contact	Adrian Frost Finance Director 01709 787787 Christopher Winn Executive Chairman 02476 555466



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