

**SANDERSON GROUP****(AIM:SND)****Share price 30p**Date: 3<sup>rd</sup> November 2011**Sector: Software & Computer Services**

Market Cap: c£13m

[www.sanderson.com](http://www.sanderson.com)

Trading in line, net debt down, encouraging order flow and sales prospects looking good

The software and IT services business specialising in multi-channel retail and manufacturing markets in the UK and Ireland has issued an encouraging trading update ahead of its preliminary results for the year ended 30<sup>th</sup> September 2011 which are due to be released in late November 2011.

**- Modest valuation**

Management has confirmed that the Group has continued to trade well and profitability for the year ending 30<sup>th</sup> September 2011 is in line with market expectations.

Normalised full year pre-tax profits (prior to the refinancing charge referred to below) are expected to be in line with current market expectations. Consensus forecasts for the year ending September 2011 point to profit before tax of £2.4m and adjusted earnings per share of approx 4.74p.

With the share price having fallen over the summer months (much like the rest of the market!), at the current price (30p) they trade at a modest 6.3x 2011 adjusted earnings estimates with a projected yield of c2.7%.

**- Net debt falls further and savings coming through**

Net debt has continued to fall and is now below £7.0m from £7.2m reported in August when they issued a trading update and news of the refinancing. Going forward, the annual savings from the re-banking with HSBC will save the Group just over £300,000 in the coming year. In the current year to 30<sup>th</sup> September 2011 they will unfortunately take a one-off charge of

c£400,000 as an exceptional finance expense, representing the unamortised portion of RBS fees, including a repayment fee arising from the early repayment of the RBS facility.

**- Online and ecommerce driving growth**

They continue to experience good trading momentum in their Manufacturing and Multi-Channel businesses. However, its not surprising that the high street Retail market remains more challenging. Sanderson continues to gain new customers across the Group and the Multi-Channel business, having a focus on online sales, ecommerce and catalogue business, has performed particularly well during the year.

**- Futures sales prospects look good**

In addition to the new new SaaS and Cloud products launched earlier in the year the Group has won over half a million pounds worth of orders for the new Green IT products. Future sales prospects are good and we can no doubt expect a higher element of own software and services.

With the benefits of refinancing set to come through, net debt falling, sales prospects encouraging, the valuation modest and a supportive dividend yield it looks a good time to take a closer look. It's also worth pointing out that senior management were buying shares around 30p level earlier in the year and Chairman Christopher Winn purchased a material 10.7m shares at 20p back in February 2010.

**SMALL CAP SHARE COMMENT***Commissioned Commentary***SANDERSON GROUP****(AIM:SND)****Share price 30p**Date: 3<sup>rd</sup> November 2011**Sector: Software & Computer Services**

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