

SANDERSON GROUP
(AIM:SND)
Share price 35.5pDate: 27th January 2012
**Sector: Software & Computer
Services**
Market Cap: c£15.45m
www.sanderson.com**Now cash rich and very well placed**

Shares in the software and IT services business soared over 20% this week on news of the sale of its high-street retail business, Sanderson RBS Limited, to Torex Retail Holdings Limited for up to £11.75m. The sale will enable the Group to repay its bank debt and leave a positive cash balance of approximately £4m.

For the year ending 30th September 2011, Sanderson RBS achieved sales of £12.36m, operating profit of £1.41m (before amortisation, share-based payment and allocation of group cost) and profit before taxation of £0.86m. This compares with overall Group sales of £26.4m, and adjusted operating profit of £3.3m.

The trade sale of close to 50% of the overall business (by turnover) for nearly 100% of the market capitalisation prior to the announcement would suggest Sanderson shares are significantly undervalued by the market.

- Debt free with plenty of opportunities

Torex a leading technology provider to the retail, hospitality and convenience and fuel markets will be a familiar name to AIM investors for perhaps all the wrong reasons, thankfully on this occasion the private Torex of 2012 comes bearing gifts!

A debt free Sanderson now has greater freedom to consider a host of options which could include acquisitions, pension repayments (the deficit stood at £3.9m at 30th September 2011) and accelerated dividends. From an operating perspective the Group can also focus on the higher growth and more profitable elements of the

business, notably the online sales and e-commerce division.

- Order intake 10% ahead

Management took the opportunity to confirm that trading momentum remains positive. New product suites launched over the last 18 months, which include Green IT, Software as a Service, Cloud Solutions and the very latest versions of the ecommerce software with modern functionality and features, have made the Group more competitive and have contributed to the improvement in trading and the gaining of new customers. The Sanderson manufacturing business has continued to trade well as has the Group's multi-channel business, which has won new customers, especially from companies operating in the areas of catalogue and online sales, ecommerce and wholesale distribution.

At the end of the first quarter, to 31 December 2011, order intake in the manufacturing and multi-channel businesses was approximately 10% ahead of the comparative period of the previous financial year.

- Revised broker estimates

The new Sanderson is broadly a business with turnover split currently c45% across manufacturing and 55% across multi-channel retail markets.

Adjusted house broker estimates for the year ending 30th September 2012 are now for Group sales of £15.3m (includes approx £2m of Sanderson RBS, now sold), normalized pre-tax profit of £1.8m and normalized earnings per share of 3.78p.

SANDERSON GROUP
(AIM:SND)
Share price 35.5pDate: 27th January 2012
**Sector: Software & Computer
Services**
Market Cap: c£15.45m
www.sanderson.com**Now cash rich and very well placed**

While revenue estimates decline materially there is less impact on overall profitability due to the higher margin activity that remains. The projected dividend remains 1p, resulting in yield of 2.8%.

The AGM update on 15th March 2012 should reveal more; in the meantime the cash rich Sanderson looks very well placed and seemingly excellent value.

- Directors come in buying

Post the announcement two non-executive Directors took the opportunity to acquire a combined 130,000 shares for a consideration of £45,350.

DISCLAIMER

This document is issued by Investors Champion. Investors Champion is a registered trade mark of Investors Champion Ltd who does not undertake investment business in the UK and therefore does not buy or sell shares, although it and individuals and companies associated with it may own shares. Investor's Champion Ltd does not make recommendations.

The conclusions and opinions expressed in this commentary accurately reflect the views of Investor's Champion Ltd. The company commented on in this Commissioned Commentary pays a fee to Investor's Champion Ltd in order for the commentary to be made available. While the information in the commentary is believed to be correct, this cannot be guaranteed.

If a 'Fair Value' price is given in a commentary this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. This commentary is issued in good faith but without legal responsibility and is subject to change or withdrawal without notice. This information does not constitute advice or a personal recommendation or take into account the particular investment objectives, financial situations or needs of individual clients. You are recommended to seek advice concerning suitability from your investment advisor.

This commentary is provided for the use of the professional investment community, market counterparties and sophisticated and high net worth investors as defined in the rules of the regulatory bodies. It is not intended to be made available to unsophisticated individuals. In the UK, any such individual who comes into possession of this commentary should consult their properly authorized professional adviser, or undertake one of the 'self certified' sophisticated investor tests that are available.

Investors should be aware that past performance is not necessarily a guide to the future and that the price of shares, and the income derived from them, may fall as well as rise and the amount realised may be less than the original sum invested. For AIM and PLUS shares, it is the opinion of the regulator that risks are higher. Furthermore the marketability of these shares is often restricted.

This commentary is based on current public information that we consider reliable, but we do not represent it is accurate or complete and it should not be relied on as such. This commentary is not an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. Our commentaries are distributed primarily electronically and, in some cases, in printed form. No part of this commentary may be reproduced or distributed in any manner without the written permission of Investors Champion Ltd. Investors Champion Ltd specifically prohibits the re-distribution of this report, via the Internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect. This document must not be accessed or used in any way that would be illegal in any jurisdiction.