

SANDERSON GROUP
(AIM:SND)
Share price 61pDate: 23rd October 2013**Sector:** Software & Computer Services

Market Cap: c£33m

www.sanderson.com

Results in-line and terrific contract win for their provider
of cloud-based multi-channel retail solutions

The AIM quoted software and IT services business specialising in multi-channel retail and manufacturing markets in the UK and Ireland, has issued a positive pre-close trading update and news of a terrific contract win for its provider of cloud-based solutions.

- Results in-line

The trading results for the year ending 30th September 2014 are in line with market expectations and will show Group revenue in excess of £16m (2013: £13.80m) and adjusted operating profit (stated before amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related costs) growing by over 20% to now exceed £2.7m (2013: £2.22m). The balance sheet remains strong with a cash balance of just over £6m at year-end (31 March 2014: £5.07m).

House broker forecasts for the full year were for sales of £16.1m, normalised profit before tax of £2.7m and normalised earnings per share of 4.24p.

- Order book growing

Order intake has risen by over 10% on a 'like-for-like' basis and the value of contracts signed with new customers during the year has risen by more than 15% to £1.9m, with the year-end order book of £2.4m 20% higher than at the previous year end. Management added that the perpetual development of the Group's own proprietary products and services has achieved continued growth especially in the areas of warehouse automation and solutions which are deployed on mobile devices, such as smart phones and tablets.

- Terrific order for One iota

Management is particularly pleased with the performance of One iota, which was acquired in October 2013.

One iota (www.itsoneiota.com) is focused on cloud-based, multi-channel solutions accessed via mobile, tablet and in-store devices. It has more than doubled revenue and profit when compared to its last full financial year prior to acquisition, being the year ending 31 January 2013, when unaudited turnover was £0.66m.

Towards the end of the financial year, and following a successful pilot implementation, it secured its largest order to date, worth over £400,000. This covers the implementation of an iPad-based solution for a major Tier 1 retailer to help sales assistants maximise in-store sales and support shoppers in buying items that might be out of stock or from extended ranges available in other stores – sounds like the future for retail to us!

The order is expected to be installed, delivered and deployed over the course of the current financial year ending 30 September 2015. We would anticipate a significant element of annual recurring revenue to this order, following the Group's usual operating model.

- More about One iota

One iota Limited was acquired for a maximum aggregate consideration of £5.43m in October 2013 with the intention of strengthening the Group's position in the rapidly expanding mobile enabled ecommerce and online sales markets.

The consideration is being satisfied by an initial cash consideration of £2.38m and a further £0.75m by

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the allotment and issue by the Company of 1,314,636 consideration shares at a price of 57.05 pence per share.

Deferred consideration of £0.30m is payable unconditionally in six equal instalments of £50,000 over the three year period immediately following completion with a further conditional deferred consideration of up to £2.00m payable subject to performance targets being achieved over the three years ending 30th September 2016.

On this basis, the acquisition would be priced at roughly 9.4x operating profit on initial consideration and 16.6x including deferred consideration, assuming margins are consistent with last year, with the deferred payout structured that it effectively pays for roughly 75% of itself.

One iota is based in Lancashire within 15 miles of the Group's catalogue, ecommerce and online sales business.

- Supporting retailers across traditional, mobile and tablet devices

Whilst most traditional eCommerce platforms deployed by retailers and brands in the past have been implemented with a simple desktop web experience in mind, it is often extremely challenging for retailers to effectively cater for shoppers across channels such as mobile, tablet and apps. Legacy eCommerce platforms have restricted capabilities and were never developed with multiple channels in mind.

One iota developed a cloud based technology platform called MESH which was built from the outset to address this issue and allows retailers to extend their existing eCommerce capabilities across any device or channel.

MESH is already used by some of the UK's leading retailers (Littlewoods; mamas&papas; Very.co.uk; and Footasylum) to power their multi-channel retail solutions, hosting thousands of visitors on a daily basis, and securely processing large volumes of transactions. MESH has also been extended to the cutting edge of in-store technology providing Kiosk, Tablet and Mobile point of sale via SmartPod www.itsoneiota.com/channels.html.

- Reasonably confident of further progress

Yet again there was the usual cautious outlook with a "reasonable level of confidence, at this early stage of the new financial" that the Group will make further progress.

Look out for the preliminary results for the year ending 30th September 2014 which are scheduled to be released on 25th November 2014.



SMALL CAP SHARE COMMENT
Commissioned Commentary

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