

SANDERSON GROUP
(AIM:SND)
Share price 52pDate: 15th August 2013
**Sector: Software & Computer
Services**
Market Cap: c£22m
www.sanderson.com**Purchase of niche e-commerce business looks
a nice fit**

The software and IT services business specialising in multi-channel retail and manufacturing markets in the UK and Ireland has completed the acquisition of Catan Marketing Limited, owner of Priam multi-channel business software.

- Consideration

The maximum consideration of £644,660 payable in cash, comprises an initial payment of £500,000 on completion with an additional amount of £49,660 due in October 2013 and a further payment of £95,000, dependent on certain performance criteria being met by the end of August 2014.

- Priam software looks a nice fit

Catan, based in Rugby, provides e-commerce solutions under the 'Priam' trading name (www.priamsoftware.com) to over 30 multi-channel retailers. For the year ended 31st August 2012 Catan achieved a profit before tax of £27,000 (2011: £69,000) on revenue of £895,000 (2011: £1,160,000). At the date of acquisition, Catan had net assets of approximately £50,000.

Clearly this represents a very small acquisition but one which fits nicely with the Group's existing multi-channel retail suite of products and follows the desired recurring revenue model.

- Trading in-line

Management also commented that the Group continues to trade well in the second half of the financial year ending 30th September 2013, with trading results

expected to be in line with market forecasts. They are seeing some early signs of improving general economic conditions which should assist future organic growth.

- Assessing further acquisitions

The Group is actively considering a number of further acquisition opportunities, especially in the multi-channel retail market, but continues to adopt a cautious approach. The medium term objective (3-5 years) remains to grow annual revenue to £20m and annual profit to £3m-£4m supported by growth in online sales and ecommerce.

- Broker forecasts

Consensus estimates for the full year ending September 2013 remain as previously for normalised profit before tax of £2.1m, normalised earnings per share of 3.9p and a full year dividend of 1.50p, equating to a yield of approx 2.9% at the current share price (52p). For the year ending September 2014 estimates are for normalised pre-tax profit of £2.25m, normalised earnings per share of 4.32p and a dividend of 1.60p.

The Group's expanding suite of propriety software and expanding e-commerce offering supported by a robust balance sheet remains compelling.

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