

Sanderson Group

 Update
1st March 2013

Solid Start Provides Further Confidence

Sanderson Group has made a solid start to the current financial year, which has led us to increase our prospective dividend forecasts and target price. We continue to be impressed by the high level of recurring revenues (57% for FY12), which cover just over two-thirds of business overheads, and therefore de-risks the group's investment case. The strong and growing range of products and services, the growing presence in the catalogue, online sales and ecommerce markets and the strengthened balance sheet augurs well for Sanderson. Accordingly, and with the shares offering a prospective dividend yield of 2.9%, we retain our stance of buy, but with an improved target price of 68p.

■ AGM Statement

The highlights of the AGM include: sales and profit in the first four months of FY13 are ahead of the comparative period; catalogue, online sales and ecommerce markets continued to achieve double digit annual growth rates; a large number of active sales prospects have been developed, some of which are expected to be converted into firm orders during FY13; a range of mobile products, which are generating a strong level of interest from existing and new customers, continues to be developed; further growth opportunities are expected from the development of these mobile products across all the businesses; progressive dividend policy expected to be maintained in FY13; a number of small acquisition opportunities are being considered and it is possible that one of these will be completed during FY13.

■ Financial forecasts

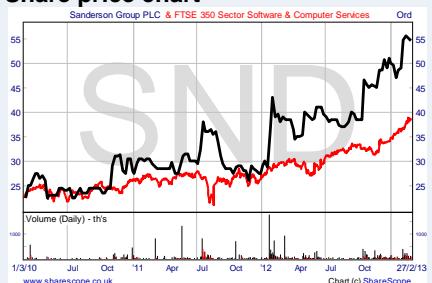
Given the strong start to the year we have increased our dividend forecast to 1.5p per share (previously 1.35p), and maintained our adjusted PBT forecast of £2.0m on revenues of £14.0m for FY13. Assuming that only one acquisition is concluded, we are pencilling in a net cash position of £4.8m. For FY14, we now expect the dividend to grow to 1.6p (previously 1.45p), and have maintained our adjusted PBT forecast of £2.4m on revenues of £15.1m. We are pencilling in a net cash position of £6.1m (13.97p/share), but this is dependent on any acquisitions being concluded.

■ Valuation

Given the strong progress made we now consider a rating of 13 times forward earnings + net cash as justifiable for setting an improved target price of 68p (previously 56p). The prospective yield of 2.9% is also attractive.

Buy
Target price
68p
Key data

Share price	52.00p
52 week high/low	56.50p/34.00p
Primary exchange	AIM
EPIC	SND
Shares in issue	43.68 m
Market Cap	£22.71 m
Sector	Software & Computer Services

Share price chart

Analyst details

Emanuil Manos Halicioglu
+44 (0)207 562 3368
Emanuil.Halicioglu@gecr.co.uk

Andrew Noone
+44 (0)207 562 3370
Andrew.Noone@gecr.co.uk

Important: All disclaimer information can be found on the last page of this document

Table: Financial overview

Year to 30 th Sep.	2011A	2012A	2013E	2014E
Revenue* (£m)	14.1	13.4	14.0	15.1
PBT (£m)	0.4	1.5	2.0	2.4
EPS* (p)	1.1	3.0	3.75	4.17
Dividend (p)	0.75	1.20	1.50	1.60
Yield (%)	1.38%	2.20%	2.75%	2.94%

Source: GECR and company.

Notes: *Continuing operations

Disclaimer

This research note cannot be regarded as impartial as GECR has been commissioned by the company to which this research relates. It should be regarded as a marketing communication.

T1ps.com Limited is one of a diverse group of companies involved in media, technology, financial services and events and is a wholly owned subsidiary of Rivington Street Holdings PLC. Occasionally, other members of the group may have an interest in one of the companies covered by GECR. The Group does however have a strict conflicts of interest policy which ensures that this research note is made available to our customers at the same time as to other members of our group. Additionally, no corporate member of the group and no member of staff may trade in the covered company's shares in the two week period before a research note is published nor for the succeeding two days after.

The information contained in this note has been obtained from sources which are believed to be reliable, but cannot be guaranteed. The estimates and content of this report are in all cases those of GECR and not of the companies concerned. No Director, representative or employee of T1ps.com Limited accepts liability for any loss arising from the use of this document or its contents.

As with all shares, their value can go down as well as up and as a result you may not get back all of the money invested. You should also be aware that past performance should not be regarded as a guide for what might happen in the future. Some of the shares that are covered by GECR are "smaller companies" (trading on the AIM or PLUS markets) and frequently, the trading in these shares may not be particularly liquid, which may result in significant trading spreads and difficulties in opening and/or closing positions.

This document is neither an offer to buy or sell any security. Before investing in this or any other company you should seek professional advice from a Financial Services Authority authorised stockbroker or financial adviser.

GECR is a trading name of T1ps.com Limited. T1ps.com Limited is authorised and regulated by the Financial Services Authority (Firm registration no. 192801) and can be contacted at:

Address: 3rd Floor, 3 London Wall Buildings, London, EC2M 5SY
Email: glen.jones@gecr.co.uk
Tel: 020 7562 5428
Fax: 020 7628 3815