

SANDERSON GROUP
(AIM:SND)
Share price 55pDate: 8th October 2013
**Sector: Software & Computer
Services**
Market Cap: c£25m
www.sanderson.com**Acquisition of provider of cloud-based multi-
channel retail solutions****- Acquisition and placing**

The software and IT services group specialising in multi-channel retail and manufacturing markets has announced the acquisition of **One iota Limited**, a leading provider of cloud-based multi-channel retail solutions, for a maximum aggregate consideration of £5.43m. The acquisition further strengthens the Group's position in the rapidly expanding mobile enabled ecommerce and online sales markets.

In order to strengthen its balance sheet and support future acquisitions the Group is also raising £3.50m at a price of 55 pence per share via an institutional placing.

- One iota www.itsoneiota.com

One iota, which is 20 person business based in Lancashire within 15 miles of the Group's catalogue, ecommerce and online sales business, provides cloud-based, multi-channel solutions via mobile, tablet and in-store devices.

For the year ended 31st January 2013, One iota had unaudited turnover of £0.66m (2012: £0.50m) and generated profit before taxation of £0.195m (2012: £0.158m). At 31st January 2013, One iota's net assets were £0.85m. For the seven months ending 31st August 2013, unaudited turnover was £0.61m and profit before taxation of £0.21 million.

**- Cloud based platform used by major
retailers**

One iota has developed a proprietary cloud-based modular technology platform called MESH which enables the delivery of

enterprise grade solutions, delivered in a 'Software as a Service' (SaaS) business model across its key offerings which span mobile commerce, ecommerce, social media and a range of in-store technology. MESH is used by some of the UK's leading retailers (Littlewoods; mamas&papas; Very.co.uk; Footasylum; and SuperDry) 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.

The acquisition should help Sanderson further develop its mobile applications and thereby help win new customers. The proximity to the Group's existing operations should also help with integration.

- Significant deferred element

The consideration will be satisfied by an initial cash consideration of £2.38m and a further £0.75m by 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.

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www.sanderson.com**Acquisition of provider of cloud-based multi-
channel retail solutions****- Growth potential**

Sanderson management believes it can grow One iota's revenue to £1.1m within the next year with its backing. The house broker comments that, 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.

- Trading in line

While a pre-close trading statement is due towards the end of October 2013 management took the opportunity to confirm that they continue to expect the trading results for the year ending 30th September 2013 to be in line with market expectations.

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