

SANDERSON GROUP
(AIM:SND)
Share price 54pDate: 28th February 2013
**Sector: Software & Computer
Services**
Market Cap: c£24m
www.sanderson.com**Positive start to the new financial year
results in upgrades**

The software and IT services business specialising in multi-channel retail and manufacturing markets in the UK has issued an encouraging AGM statement confirming a strong start to the current financial year ending September 2013.

- Attractive business model

After the first four months trading to 31st January 2013, both sales and profit are ahead of the comparative period of the previous year. The Group has an attractive business model with over half of Group sales being derived from pre-contracted recurring revenues, the margin from which covers just over two-thirds of business overheads, offering a good degree of visibility.

- Focus on key market areas

The Group continues to focus its efforts on key market areas which offer the best opportunities for growth with a strong and growing presence in the catalogue, online sales and ecommerce markets which have continued to achieve double digit annual growth rates.

In addition, over the past two years, they have increased investment in both products and services, as well as, sales and marketing capability to further address the active food & drink manufacturing market. The latest version of the Sanderson Unity product suite includes enhanced ingredient and raw material tracking which enables traceability not only through the manufacturing process but also through the supply chain - a very topical issue at the moment!

- Mobile solutions attract interest

The Group continues to develop a range of mobile solutions which are generating a strong level of interest from existing and new customers. Further growth opportunities are expected from the development of these mobile solutions across all the Sanderson businesses.

- Acquisition opportunities

With £11.75m received from the sale of Sanderson RBS as well as positive operating cash flow in the prior year, net cash at September 2012 year-end was £4.07m offering support for acquisitions.

A number of small opportunities are being considered and it is possible that one of these will be completed during the current financial year, although given the current parlous state of the economy management is adopting a cautious approach.

- Broker raises dividend forecast

On the back of the AGM statement and the solid start to the year the house broker has raised its price target and dividend forecast.

Estimates for the full year ending September 2013 are for sales of £14m, 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 2.7% at the current share price (54p). For the year ending September 2014 estimates are for sales of £15.1m, normalised pre-tax profit of £2.4m and normalised earnings per share of 4.11p.

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In prior years the tone from management has perhaps been more cautious, however, on this occasion the AGM statement concluded with management expressing "a good level of confidence for making further progress and achieving the current year targets."

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.

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