

SANDERSON GROUP**(AIM:SND)****Share price 70p**Date: 26th November 2013**Sector: Software & Computer
Services**

Market Cap: c£34m

www.sanderson.com**Results in line and the future looks very
promising indeed**

The software and IT services business specialising in multi-channel retail and manufacturing markets in the UK and Ireland issued preliminary results for the year ended 30th September 2013 in line with expectations and the update issued on 25th October.

- Summary results***Income statement***

Results for the year ending 30th September 2013 show revenue of £13.83m (2012: £13.37m), with the gross margin improving further to 87.6% (2012: 83.6%) as a result of increased emphasis on higher margin Sanderson proprietary software, delivered and installed by the Group's own staff.

Operating profit before amortisation of acquisition-related intangibles, acquisition costs and share-based payment charges was £2.22m (2012: £2.04m) and the order book at period end was an encouraging £1.94m (2012: £1.89m, 2011: £1.35m).

The final proposed dividend was 0.85p per ordinary share, making a total dividend of 1.50p (yield 2.2% at current share price) and a 25% increase compared with the prior year.

Balance sheet

The Group's cash position remained strong with net cash at 30th September 2013 of £3.66m (2012: £4.07m) after paying £500,000 of initial consideration relating to the acquisition of Catan Marketing Limited in the period. The net operating cash inflow was impacted by cash in respect of significant final quarter billings being received after the year end in October.

The pension deficit at 30th Sept 2013 was £4.174m (30th Sept 2012: £4.512m) with the annual funding requirement currently approximately £360,000.

Post year end cash was boosted by the placing (see below).

**- Recurring revenues underpin the
business**

The second half of the financial year now contributes a larger proportion of annual operating profit as a result of the Group's multi-channel retail division now being a larger part of the Group's operations which has resulted in an additional £239,000 of operating profit compared with the first half year to 31 March 2013.

Pre-contracted recurring revenues were £7.94m representing 57% of total revenues (2012: £7.66m and 57%) with the gross margin from these covering 73% of Group overheads (2012: 76%). These licence revenues provide good visibility of future earnings and are augmented by consultancy, support and maintenance services.

**- Further investment short term drag
but positive for the future**

There was further investment in the delivery and services capabilities of the Group's ecommerce businesses, as well as the business which focuses on the food and drink processing sector. This investment has marginally impacted operating margins in the short term with the benefits to be seen in the future.

SANDERSON GROUP**(AIM:SND)****Share price 70p**Date: 26th November 2013**Sector: Software & Computer Services**

Market Cap: c£34m

www.sanderson.com**Results in line and the future looks very promising indeed****- Customer wins**

14 new customers were secured in the year (2012: 15 new customers) at an average initial contract value of £119,000 (2012: £99,000). The value of orders from new customers grew again with the total increasing to £1.67m (2012: £1.49m, 2011: £1.33m).

The annual growth rate being achieved in the ecommerce market continues to be in excess of 10% and this growth, which is being further fuelled by mobile commerce (ecommerce via mobile devices) is expected to continue to provide growth opportunities in the mid-term. The food and drink processing sector within the UK is growing, as is the Group's own business which addresses this market.

- Divisional review***Multi-channel retail***

Revenue £7.23m (2012: £7.17m)
Operating profit £1.124m (2012: £1.106)
Order book £696k (2012: £1.02m)
Gross margin 87.6% (2011: 83.7%)
250 customers

The Group's multi-channel retail offering provides comprehensive IT solutions to businesses operating in the areas of online sales, ecommerce, catalogue sales, wholesale distribution, cash and carry and retail stores. High levels of activity have been experienced from providing mobile commerce solutions, incorporating the latest 'responsive' web technologies that optimise customers' websites enabling them to adapt to whatever device is being used for optimal viewing, seamless navigation and increased sales.

While there was continued strong growth in ecommerce businesses, very much reflecting market trends, there was a decline in the Group's business focused on traditional mail order fulfilment.

The completion of planned investment in the infrastructure and capability of the Group's ecommerce business referred to previously resulted in operating profit growth being limited to 6%, £1.28m (2012: £1.21m).

Revenue from customers operating in the ecommerce market grew to £2.62m, (2012: £2.40m) and gross margin improved to 87.6% (2012: 83.7%). We anticipate gross margins will remain around this level going forward.

Five new customers were gained in the period compared with nine in the previous year. The increased level of new customer business has continued with a large order from a new customer, worth almost £250,000, gained at the start of the current financial year. Sales prospects are strong and it is expected that the investment made in the year ending 30th September 2013 will contribute to faster progress in the coming year.

The Top 5 Customers were MandM Direct, Barry Group, Beaverbrooks, JoJo Maman Bébé and Scotts of Stow with their total spend £897,000.

Manufacturing

Revenue £6.59mm (2012: £6.2m)
Operating profit £848k (2012: £800k)
Order book £1.2m (2012: £870k)
Gross margin 87.6% (2012: 83.6%)
194 customers

SANDERSON GROUP
(AIM:SND)
Share price 70p

Date: 26th November 2013
Sector: Software & Computer Services
Market Cap: c£34m
www.sanderson.com

Results in line and the future looks very promising indeed

The main areas of specialisation in Manufacturing are food and drink, engineering, plastics, aerospace, electronics and print manufacturing sectors.

The part of the Group's business which addresses the general UK manufacturing market experienced a tougher trading environment than in the previous year, whereas the business focused on the food and drink processing sector, benefiting from investment made over the last two years, made very good progress and drove overall growth for the manufacturing division.

The size of the UK food and drink processing market is growing and there is an increase in the number of small and medium businesses in this sector. Both the need for traceability through the food and drink distribution, production and supply chain, combined with a continued drive to reduce operational costs has provided the Group with a good opportunity in this market.

The Sanderson food and drink processing business now represents 49% of the Group's manufacturing business (2012: 44%) with recurring revenues accounting for 58% of divisional revenue (2012: 59%).

The top 5 customers were Freddy Hirsch Group, Food Partners, COOK Trading, Newly Weds Foods and RLC UK with their total spend £1.065m.

Nine new customers were gained in the period (2012: six new customers) including Broder Metals Group, COOK Trading Limited, Kolak Snack Foods and Virani Food Products.

The UK food & drink sector remains very active representing 16% of UK manufacturing.

- Acquisitions

In order to augment the Group's organic growth, two complementary acquisitions have been completed within the past four months. In August 2013, Catan Marketing Limited, which provides ecommerce solutions under the PRIAM trading name, was acquired for a maximum consideration of £644,600. On 7th October 2013, and therefore at the start of the new financial year, One iota Limited was acquired for a maximum aggregate consideration of £5.43m. One iota is a leading provider of cloud-based multi-channel retail solutions and the acquisition further strengthens the Group's position in the rapidly expanding mobile enabled ecommerce and online sales markets.

- Post period end share placing

On 28th October 2013, the Group successfully completed the raising of £3.50m before costs at 55p per share with the resulting issued share capital of the Group now 51,479,218 ordinary shares.

As a result of the placing, the cash balance as at 22nd November 2013 was in excess of £4.5m.

- Broker forecast

House broker forecasts for the full year ending September 2014 are for sales of £16.1m, normalised profit before tax of £2.7m, normalised earnings per share of 4.39p and a dividend of 1.60p, equating to a yield of 2.28%.

SANDERSON GROUP**(AIM:SND)****Share price 70p**Date: 26th November 2013**Sector: Software & Computer
Services**

Market Cap: c£34m

www.sanderson.com**Results in line and the future looks very
promising indeed**

Gross margins are predicted to remain stable at approximately c86/87% with estimated Corporation Tax of £200k for FY14, increasing to £500k in FY15 as they become fully tax paying.

- Outlook

There was the now customary cautious outlook statement with management commenting that while the economic environment is showing some signs of improvement it is still challenging. Despite this the strong order book, improved market position and the two recent acquisitions bring expectations of further significant progress during the current financial year ending 30th September 2014.

The Group's expanding suite of propriety software and expanding e-commerce offering supported by a robust balance sheet remains compelling. As the UK economy improves Sanderson looks well placed to benefit.

DISCLAIMER

This document is issued by Investors Champion. Investors Champion is a registered trade mark of Investors Champion Ltd who does not undertake investment business in the UK and therefore does not buy or sell shares, although it and individuals and companies associated with it may own shares. Investor's Champion Ltd does not make recommendations.

The conclusions and opinions expressed in this commentary accurately reflect the views of Investor's Champion Ltd. The company commented on in this Commissioned Commentary pays a fee to Investor's Champion Ltd in order for the commentary to be made available. While the information in the commentary is believed to be correct, this cannot be guaranteed.

If a 'Fair Value' price is given in a commentary this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. This commentary is issued in good faith but without legal responsibility and is subject to change or withdrawal without notice. This information does not constitute advice or a personal recommendation or take into account the particular investment objectives, financial situations or needs of individual clients. You are recommended to seek advice concerning suitability from your investment advisor.

This commentary is provided for the use of the professional investment community, market counterparties and sophisticated and high net worth investors as defined in the rules of the regulatory bodies. It is not intended to be made available to unsophisticated individuals. In the UK, any such individual who comes into possession of this commentary should consult their properly authorized professional adviser, or undertake one of the 'self certified' sophisticated investor tests that are available.

Investors should be aware that past performance is not necessarily a guide to the future and that the price of shares, and the income derived from them, may fall as well as rise and the amount realised may be less than the original sum invested. For AIM and PLUS shares, it is the opinion of the regulator that risks are higher. Furthermore the marketability of these shares is often restricted.

This commentary is based on current public information that we consider reliable, but we do not represent it is accurate or complete and it should not be relied on as such. This commentary is not an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. Our commentaries are distributed primarily electronically and, in some cases, in printed form. No part of this commentary may be reproduced or distributed in any manner without the written permission of Investors Champion Ltd. Investors Champion Ltd specifically prohibits the re-distribution of this report, via the Internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect. This document must not be accessed or used in any way that would be illegal in any jurisdiction.

Investor's Champion Ltd is not regulated by the Financial Conduct Authority (FCA)