

# Sanderson Group

## Better Than Expected Trading Performance

Update  
4<sup>th</sup> March 2016

Reporting at its Annual General Meeting, Sanderson Group reported that revenues for the four months ended 31<sup>st</sup> January 2016 increased by in excess of 10% on the comparable period a year earlier. The software and IT services group added that it remains confident in making continued progress in the current financial year ending 30<sup>th</sup> September 2016. We note that revenue growth in the first four months (>10%) is greater than our forecast for the full-year (7%), and revenue growth in H2 is typically greater than that in H1. Nevertheless, remaining prudent, we have maintained our forecasts. With the shares offering investors exposure to the high-growth Enterprise Resource Planning software market, as well as offering a decent prospective dividend of 3.2%, we continue to classify the shares as a hybrid growth and income stock.

### AGM Statement

Total sales intake increased by in excess of 15%, reflecting an increased level of investment in sales and marketing. Total order book increased by 37% to £3.21m since year end (FY15: £2.35m). Revenue from new customers increased to £1.5m in the four month period, which compares to £1.4m for the whole of the last financial year. The company said that a number of new sales prospects within the digital retail business are being pursued and are expected to close in H2. It added that the Sanderson Enterprise businesses have made a very strong start to the current year and have converted a number of previously delayed projects, with particularly strong order intake from the food & drink, logistics and wholesale cash & carry sectors. The company has recommended a final dividend of 1.2p per share, taking the total dividend for the year to 2.1p, representing an increase of 16% on last year, which is in-line with our expectation.

### Financial forecasts

For FY16, we continue to forecast revenue of £20.50m, gross profit forecast of £17.43m, adjusted EBIT of £3.69m and an adjusted PBT of £3.46m. We are forecasting a DPS of 2.30p. For FY16, we are forecasting revenue of £21.50m and gross profit of £18.28m. We are forecasting an adjusted EBIT of £3.96m and adjusted PBT of £3.81m. We anticipate DPS of 2.5p.

### Valuation

The shares are trading at a 22% discount to the Software & IT services sector on an EV/EBITDA basis (10.7x vs 13.8x). A key risk includes a deterioration in the economic environment.

#### Key data

Share price	78.00p
52 week high/low	80.00p/62.00p
Primary exchange	AIM
EPIC	SND
Shares in issue	54.75 m
Market Cap	£42.71 m
Sector	Software & Computer Services

#### Share price chart



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Table: Financial overview

Year to 30 <sup>th</sup> Sep.	2014A	2015A	2016E	2017E
Revenue (£'000)	16,411	19,182	20,500	21,500
PBT* (£'000)	2,707	3,165	3,461	3,811
EPS* (p)	4.61	5.05	5.61	6.25
Dividend (p)	1.80	2.10	2.30	2.50
Yield (%)	2.31%	2.69%	2.95%	3.21%

Source: GECR and company.

Notes: \*Adjusted

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