

Sanderson Group

Update
23rd April 2015

Continued Progress

In a trading update ahead of its interim results, Sanderson Group has announced continued growth, driven by the expansion of mobile commerce and ecommerce within its multi-channel retail markets. The announcement, we feel, supports and underpins the group's commitment to maintain its progressive dividend policy, and provides us with further confidence in our forecasts. With the shares offering investors exposure to the high-growth Enterprise Resource Planning software market, as well as offering a decent dividend yield of 3.08%, we continue to classify the shares as a hybrid growth and income stock.

Trading Update

For the 6 months ended 31st March 2015, revenue increased by >10% to £9m (H1 FY14: £8m). Profit also increased by >10%. Sales order intake increased by 14% to £4.9m (H1 FY14: £4.3m). The order book remained strong with orders increasing by 12% to £2.8m (H1 FY14: £2.5m), and pre-contracted recurring revenues continuing to represent >50% of total revenue. The net cash balance was c.£4m at period end. Its recent acquisition, Proteus, has made a positive contribution. Furthermore, while its manufacturing market-focused division delivered a flat trading performance, the division's order intake improved and there is a strong order book, with good sales prospects going into H2. The announcement of its interim results is scheduled for release on 9th June 2015.

Financial forecasts

We have updated our FY15 forecasts slightly. We are expecting revenue of £18.50m with a gross profit of £15.98m for FY15. We expect the group to continue its investment in product innovation, as well as sales & marketing, and are now forecasting an adjusted EBIT of £3.35m (previously £3.43m) and adjusted PBT of £3.10m (previously £3.18m). We are forecasting DPS of 1.90p. For FY16, we are now forecasting revenue of £20.50m and gross profit of £17.43m. With further product innovation and sales & marketing investments anticipated, we are forecasting an adjusted EBIT of £3.71m and adjusted PBT of £3.40m. We anticipate DPS of 2.0p.

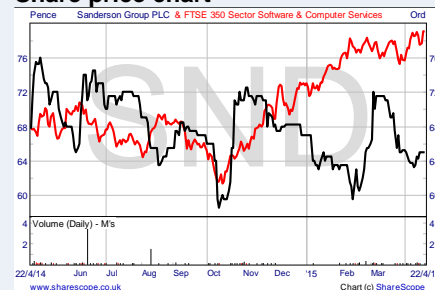
Valuation

Assuming Sanderson trades on a similar P/E as its peers of 15x, we estimate a target price of 87p.

Key data

Share price	65.00p
52 week high/low	76.00p/58.50p
Primary exchange	AIM
EPIC	SND
Shares in issue	54.55m
Market Cap	£35.46m
Sector	Software & Computer Services

Share price chart



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Table: Financial overview

Year to 30 th Sep.	2013A	2014A	2015E	2016E
Revenue (£'000)	13,828	16,411	18,500	20,500
PBT* (£'000)	2,186	2,707	3,103	3,406
EPS* (p)	4.42	4.61	5.39	5.59
Dividend (p)	1.50	1.80	1.90	2.00
Yield (%)	2.31%	2.77%	2.92%	3.08%

Source: GECR and company.

Notes: *Adjusted

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