

Sanderson Group

Update
4th March 2015

AGM Supports Growth Prospects

Reporting at its Annual General Meeting, Sanderson Group announced that it has made a good start to the current financial year, with sales order intake for the first four months of the financial year ahead of the comparative period a year earlier. The software and IT services group which specialises in multi-channel retail and manufacturing markets added that it remains confident of making further progress in the current financial year ending 30th September 2015. The announcement is in-line with our expectations, and we keep our forecasts unchanged. With the shares offering investors exposure to the high-growth Enterprise Resource Planning software market, as well as offering a decent dividend of 2.94%, we classify the shares as a hybrid growth and income stock.

AGM Statement

The value of the order book as at end January 2015 was higher than £2.41m as at 30th September 2014. The manufacturing division has achieved an improved level of trading, gaining six new customers, which compares to nine new customers during the whole of last year, albeit at a lower average initial order value. The multi-channel retail division has continued to achieve overall growth. One iota, which is focused on the rapidly developing mobile commerce market, achieved higher revenue than in the whole of the full year prior to its acquisition in October 2013. The Proteus business, which was acquired in December 2014, has also made a steady start as part of the group. Sanderson is continuing to invest in product development, especially in the area of mobile solutions, as well as in both operational management and sales and marketing. However, it added that this investment is not expected to have an adverse effect on profitability in the current year.

Financial forecasts

Maintaining our forecasts, 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 £3.43m and adjusted PBT of £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 | 76.00p |
| 52 week high/low | 76.00p/58.50p |
| Primary exchange | AIM |
| EPIC | SND |
| Shares in issue | 54.37m |
| Market Cap | £36.61m |
| Sector | Software & Computer Services |

Share price chart



Analyst details

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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 | 3,179 | 3,406 |
| EPS* (p) | 4.42 | 4.61 | 5.54 | 5.59 |
| Dividend (p) | 1.50 | 1.80 | 1.90 | 2.00 |
| Yield (%) | 2.21% | 2.65% | 2.79% | 2.94% |

Source: GECR and company.

Notes: *Adjusted

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