



Sanderson Group PLC - SND Pre-Close Trading Update & Notice of Final Results
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SANDERSON GROUP PLC

**Pre-Close Trading Update
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Notice of 2018 Preliminary Results

"Significant progress and year-end results will be slightly ahead of market expectations."

Sanderson Group plc ('Sanderson' or 'the Group'), the specialist provider of digital technology solutions, innovative software and managed services for the retail, wholesale, supply chain logistics, food and drink processing and manufacturing market sectors, issues the following early trading update ahead of the announcement of its preliminary results for the year ended 30 September 2018, scheduled to be released on Monday, 26 November 2018.

Sanderson was expanded and enhanced by the acquisition of the Anisa Group completed on 23 November 2017 and the trading results of the enlarged Group (which remain subject to audit) are not only significantly ahead of the prior year, but also slightly ahead of current market expectations. Group revenue rose to around £32 million (2017: £21.6 million) with gross margins continuing to run at high levels of 80%. Operating profit (stated before the amortisation of acquisition-related intangibles, share-based payment charges and 'one-off' non-recurring items) increased by 30% to over £5 million (2017: £3.90 million). On a like-for-like basis excluding the effect of the acquisition, operating profit is expected to be slightly ahead of last year with revenue growing at over 5%, largely driven by pre-contracted recurring revenue growth of over £1 million. Annually, pre-contracted recurring revenues now total over £17 million, representing 55% of total revenue.

In the second half of the financial year, the Group continued to experience strong sales order intake and the order book at 30 September 2018 stood at over £7 million (2017: £5.79 million); on a like-for-like basis, the order book increased by over 9% (excluding the acquisition and the large order gained in June 2017 which is being delivered 'on schedule'). The Board remains committed to maintaining a strong cash-backed balance sheet and at 30 September 2018, the cash balance was £6.45 million (2017: £6.18 million). This balance was after the payment in the year of £1.67 million in dividends and after a net outflow of £2.64 million, associated with the acquisition. In November 2017, as part of the terms of acquisition, the Group had assumed a five-year term debt facility with an outstanding balance of £4.12 million, which after scheduled repayments, has been reduced to £3.44 million by 30 September 2018.

All Sanderson businesses traded strongly in the second half year with the highlights being the performance of the Digital Retail business which grew at over 20% and Anisa, which has made a good start as part of the Group. The acquired business is well-managed, has integrated into the Group very well and towards the end of the financial year, gained a large initial order with Port of Dover Cargo Limited. Across the Group, sales prospects continue to be developed and further sales and marketing investment is planned.

The Group has a good reputation and has built-up a strong track record of delivering customer-centric solutions which provide customers with the opportunity to maximise revenues, to improve productivity and to effect efficiencies thereby saving costs. The Board continues to adopt a cautious approach and whilst being mindful of some ongoing uncertainty as to the economic outcome of Brexit, is fully committed to take advantage of the improved sales momentum and strong balance sheet to maximise the Group's trading performance, in order to provide increasing returns to shareholders.

Sanderson has a healthy order book following the strong order intake in the second half of 2018 and with good sales prospects going forward, the Board is encouraged and has a good level of confidence that, at the start of the new financial year, the Group will continue to make further progress in the coming year ending 30 September 2019.

Enquiries:

Sanderson Group plc [0333 123 1400](tel:03331231400)
Christopher Winn, Chairman
Ian Newcombe, Chief Executive
Richard Mogg, Finance Director

Singer N+1 - Nominated Advisor and Broker [020 7496 3000](tel:02074963000)
Mark Taylor
James White

Walbrook PR [020 7933 8780](tel:02079338780)
Paul Vann [or 07768 807631](tel:07768807631)

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