Sanderson Group PLC - SND Pre-Close Trading Update
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Pre-close Trading Update

"Results slightly ahead of management's expectations; positive trading momentum maintained with strong balance sheet; November acquisition makes a good start; current order book now standing at £8 million."

Sanderson Group plc ('Sanderson' or 'the Group'), the software and IT services business specialising in digital retail technology and enterprise software for businesses operating in the manufacturing, wholesale distribution and logistics sectors, issues the following trading update ahead of the announcement of its interim results for the six months ended 31 March 2018, which are scheduled to be released on 23 May 2018.

Sanderson Group was expanded and enhanced by the acquisition of the Anisa Group ('Anisa') on 23 November 2017, for an enterprise value of £12 million. Anisa specialises in the delivery and support of world-class integrated supply chain and enterprise resource planning ('ERP') solutions on a global basis. The size and strength of the Sanderson Enterprise division has been significantly enhanced and Anisa has made a good start as part of Sanderson.

The Group's trading results for the six months ended 31 March 2018 are slightly ahead of management's expectations with revenue and profit growing by over 30%. Group revenue was just above £14.5 million (H1 2017: £10.9 million) and operating profit (stated before the amortisation of acquisition-related intangibles, share-based payment charges, acquisition-related and restructuring costs) increased to over £2 million (H1 2017: £1.55 million). On a 'like-for-like' basis, excluding the acquisition, revenues have risen to just over £11 million (H1 2017: £10.9 million) and operating profit, reflecting a more efficient and lower cost of the delivery of Group solutions, at over £1.7 million (H1 2017; £1.55 million) is more than 10% ahead. Gross margins continue to run at a high level of over 80% and growing pre-contracted recurring revenues increased to above £8 million ('like-for-like' excluding Anisa, H1 2018: £5.9 million compares with H1 2017: £5.40 million). The Group continues to focus on building recurring revenues including growing subscription, cloud and managed services revenues.

Sales order intake continues to be good and the value of the Group order book measured on a 'like-for-like' basis at the end of March 2018, was over 15% ahead of the comparable order book value at the end of March 2017. The order book is much better balanced and is now at a more manageable level across the Group's businesses. The total order book, which now includes the acquisition and reflects the remaining element of the large order gained in June 2017, is now valued above £8 million.

The Board is committed to maintaining a strong balance sheet and Sanderson continues to generate cash in line with operating profit. Following the acquisition in November 2017 which was satisfied from the Group's own cash resources, by the assumption of Anisa's utilised five-year repayable term debt facility of £4.12 million and by the issue of 3,990,653 Sanderson shares (which are effectively 'locked-in' until November 2020), the net cash balance at 31 March 2018 stood at over £1.3 million (31 March 2017: £4.51 million).

Digital Retail Division

Digital Retail, which operates in very active and rapidly developing markets, continues to make strong progress. In the six-month period to 31 March 2018, revenue grew by over 20% compared with the comparable period in the prior year, profits almost doubled and the order book at 31 March was up by over 50% compared with the order book at 31 March 2017. Following a successful pilot scheme, a Phase One order has been secured with a well-known global iconic fashion brand. Sales prospects remain strong with pilot schemes for a number of prospective customers being planned for initial deployment in the current financial year.

Enterprise Division

The Group's Enterprise businesses, which have benefited from increased investment in sales and marketing capability, have continued to make progress. The Manufacturing business is increasingly driven by the food and drink processing sector where the Group has a strong presence and the profit achieved was higher than for the comparable prior year period. The Group businesses which focus on the supply of solutions to the wholesale distribution sector remained very profitable with revenue and profit being sustained at levels close to the comparable prior year period. We expect this part of the business to deliver an improved result for the second half year, which has started well. Anisa has made a good start as part of Sanderson with a number of exciting sales prospects being developed. The managed service product offerings provide an opportunity to exploit and to accelerate expected market trends towards subscription and cloud options for product delivery and for access at customer sites. Anisa considerably enhances the proven range of products, services and solutions which Sanderson now offers to prospective and existing customers in the target market sectors. The Enterprise division enters the second half of the financial year with a strong recurring revenue base, a good order book and a good list of sales prospects.

Strategy and Outlook

The Board continues to be cautious in its approach, sensitive to market conditions and endeavours to monitor the general economic environment carefully. Notwithstanding any potential uncertainty surrounding the ongoing Brexit negotiations, Sanderson, now strengthened by the acquisition, has a large order book, robust recurring revenues and a healthy balance sheet. The Group has a good reputation, a strong track record and with continuing sales momentum in its target markets, the Board has a good level of confidence that Sanderson will make significant further progress during the current financial year ending 30 September 2018.

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