

Sanderson Group (SND)

AIM



FLASH NOTE — TRADING UPDATE

- A detailed pre-close trading update has been released ahead of final results for the year ended 30 September 2017, scheduled to be announced on 28 November. This was reassuring and in particular news that cash balances were in excess of £6m at the period end is a positive signal.
- Although revenue only increased modestly year-on-year, gross margins were a very healthy 82%, in line with the first half of the financial year.
- Looking ahead, sales order intake in the year was £13.7m versus £12.3m in the previous year. At the period end the order book stood at an impressive £5.8m (2016: £3.0m).
- Although both divisions appear to have performed well, we have long held the view that Digital Retail is key to delivering a substantial increase in shareholder value. This segment of the business operates in what Sanderson has described as 'very active and rapidly developing markets' and it is clear that there is significant potential in this area.
- Given the detailed trading statement, final results are now unlikely to hold many surprises. The company continues to make solid, steady progress and the high level of recurring revenues means that this should continue for the foreseeable future.

Results and Consensus Forecasts

Year to 30th September	Revenue (£m)	Pre-Tax Profit* (£m)	Earnings per share** (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2015A	19.2	3.2	4.9	14.7	2.1	2.9
2016A	21.3	3.4	5.5	13.1	2.4	3.3
2017E	21.5	3.7	5.4	13.3	2.6	3.6
2018E	23.0	4.0	5.8	12.4	2.9	4.0

* - adjusted; ** - diluted adjusted

KEY DATA

Share Price:	72p
Prospective p/e ratio:	12.9x
Prospective net yield:	3.6%
Market Capitalisation:	£39.7m
Next Results Due (Finals):	NOV
Net Cash (31 March):	£4.51m
NAV per share (31 March):	45.6p



BULLET POINTS

- The recent trading update confirms that another solid year of progress has been delivered
- Very healthy order book
- We continue to believe that Digital Retail businesses in particular have significant potential
- High level of net cash
- Complementary acquisitions may supplement organic growth

Date of Report : 1 November 2017

www.brokerlink.co.uk

About Sanderson

- Sanderson is a supplier of innovative software solutions and IT services, specialising in the multi-channel retail and manufacturing markets in the UK and Ireland. The group develops long term relationships with its customers with the majority of product development being customer led and offering tangible benefits. The group delivers solutions to numerous organisations with turnovers typically between £5m and £250m. Its customers include many household names.
- The group's solutions now primarily consist of Sanderson proprietary owned software, integrated with other market-leading products being delivered, supported and serviced by Sanderson staff. Sanderson's contracts for both software and support and maintenance provide it with a solid recurring revenue base which represents over 50% of total revenues.
- Sanderson has expanded steadily over recent years, growing through a mixture of organic growth and acquisition and this progress is expected to continue. The group continues to invest in product development and it is now recognised as an established provider of software and IT services in the UK and Ireland, particularly focussed on manufacturing and multi-channel retailing.

GENERAL INFORMATION

COMPANY DATA

Stockbrokers:
N+1 Singer

Contact Address:
Sanderson House
Manor Road
Coventry
CV1 2GF

Information:
Christopher Winn
Chairman
Ian Newcombe
Chief Executive
Richard Mogg
Finance Director
t– 0333 123 1400

FINANCIAL CALENDAR

Final Results Announcement: 28 November 2017
Expected AGM Date: March 2018
Interim Results Due: May 2018
Year End: 30 September 2018

The above dates should only be used for guidance

Significant Shareholders

Ordinary shares of 10p each

	%
C Winn	21.4
Hargreave Hale	9.1
Cannaccord Genuity Group	8.9
Living Bridge	8.8
Miton Asset Management	7.7
Brooks Macdonald Asset Management	5.1
Unicorn Asset Management	4.4

All rights reserved. This report has been prepared and issued by brokerlink for distribution in the United Kingdom. The content is intended for professional advisors in the United Kingdom in their role as advisors and is not intended for private individuals or investors. This publication should not be used or considered as an offer or solicitation to buy or sell any financial instrument and is for informational purposes only. Statements and opinions contained in this report represent those of brokerlink as at the date of the report and not held out as applicable thereafter. This report should only be considered as a single factor in making an investment decision. Information used in the publication of this report has been compiled from sources believed to be reliable but it has not been independently verified: no representation has been made to its accuracy or completeness, no reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. As this document has not been prepared in accordance with legal requirements designed to promote independence of research, brokerlink has decided that due to this and attendance of conflicts of interests, the report should not be regarded as independent or impartial as defined by the rules of the Financial Conduct Authority. brokerlink is a trading name of Independent Financial Publications which is authorised and regulated by the Financial Conduct Authority. VAT. Reg. No. GB 607 1818 48

1 Skipton Road
Ilkley
West Yorkshire
LS29 9EH

Tel : 01943 886602
Fax : 01943 886601
Email : info@brokerlink.co.uk
www.brokerlink.co.uk

