



## SMALL CAP SHARE COMMENT

*Commissioned Commentary*

### SANDERSON GROUP (AIM:SND)

Share price 86p

Positive pre-close – results slightly ahead

Date: 10<sup>th</sup> October 2018

Sector: Software & Computer Services

Market Cap: c£52m

[www.sanderson.com](http://www.sanderson.com)

The specialist provider of digital technology solutions, innovative software and managed services has issued a positive pre-close trading update covering the year ending 30 September 2018

The enlarged Sanderson Group develops and supplies their own software solutions for the retail, wholesale, supply chain logistics, food and drink processing and manufacturing sectors.

The Group works closely with its customers forging long-term relationships which results in lots of delightful, long term, recurring revenues.

In retail, they work closely with well-known high street brands such as JD Sports Fashion to pioneer the adoption of digital technologies such as mobile, social and interactive, to deliver a more engaging customer experience. In food and drink processing the Group's systems help manufacturers manage the complexities of their business, tackling product traceability and increasing regulation.

Anisa Group, which [was acquired on 23 November 2017](#), specialises in the delivery of world-class integrated supply chain and enterprise resource planning ('ERP') solutions. The acquisition considerably enhances the range of solutions and services which Sanderson can now offer customers. In particular, managed services provide an opportunity to exploit and to accelerate expected market trends towards subscription and cloud-based options for product delivery going forward.

#### - Results slightly ahead

Trading results of the enlarged Group, which includes Anisa, are significantly ahead of the prior year and slightly ahead of current market expectations.

Group revenue rose to approx £32m (2017: £21.6m) with gross margins continuing to run at high levels of 80%. Operating profit (before the amortisation of acquisition-related intangibles, share-based payment charges and 'one-off' non-recurring items) increased by 30% to over £5m (2017:£3.90m).

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 £1m. Annually, pre-contracted recurring revenues now total over £17m (2017: £11.18m), representing 55% of total revenue (2017: 52% of total revenues).

#### - Order book highly supportive

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 £7m (March 2018: £3.22m). 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 balance sheet remains in good shape with cash of £6.45m at the period end (2017: £6.18m). This was after the payment in the year of £1.67m in dividends



#### Investor's Champion Ltd

Langwood House,  
63-81 High Street,  
Rickmansworth, Herts WD3 4DZ  
[www.investorchampion.com](http://www.investorchampion.com)



**SMALL CAP SHARE COMMENT**  
*Commissioned Commentary*

**SANDERSON GROUP (AIM:SND)**  
Share price 86p

Positive pre-close – results slightly ahead

Date: 10<sup>th</sup> October 2018  
Sector: Software & Computer Services  
Market Cap: c£52m  
[www.sanderson.com](http://www.sanderson.com)

and after a net outflow of £2.64m, associated with the acquisition of Anisa.

**Look out for the full year results statement on 26 November 2018.**

Debt taken on with the acquisition has fallen to £3.44m at the period end from £4.12m initially.

**- Digital retail doing nicely**

All Group businesses traded strongly in the second half of the year with the highlights being the performance of the Digital Retail business which grew at over 20%. Anisa, has made a strong start and, towards the end of the financial year, gained a large initial order with Port of Dover Cargo Limited.

**- Broker estimates**

House broker forecasts for the Financial Year ending September 2018 were for adjusted EPS of 6.4p and 6.9p for FY 2019. At the current share price of 86p the rating of 12.5x forecast earnings looks modest for a business benefiting from such a high level of recurring revenue.

The forecast 2018 dividend of 2.9p, covered over 2x by adjusted earnings, equates to a yield of approx. 3.3% at the current share price.

DISCLAIMER

This document is issued by Investors Champion. Investors Champion is a registered trade mark of Investors Champion Ltd who does not undertake investment business in the UK and therefore does not buy or sell shares, although it and individuals and companies associated with it may own shares. Investor's Champion Ltd does not make recommendations.

The conclusions and opinions expressed in this commentary accurately reflect the views of Investor's Champion Ltd. The company commented on in this Commissioned Commentary pays a fee to Investor's Champion Ltd in order for the commentary to be made available. While the information in the commentary is believed to be correct, this cannot be guaranteed.

If a 'Fair Value' price is given in a commentary this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. This commentary is issued in good faith but without legal responsibility and is subject to change or withdrawal without notice. This information does not constitute advice or a personal recommendation or take into account the particular investment objectives, financial situations or needs of individual clients. You are recommended to seek advice concerning suitability from your investment advisor.

Investors should be aware that past performance is not necessarily a guide to the future and that the price of shares, and the income derived from them, may fall as well as rise and the amount realised may be less than the original sum invested. For AIM shares, it is the opinion of the regulator that risks are higher. Furthermore the marketability of these shares is often restricted.

This commentary is based on current public information that we consider reliable, but we do not represent it is accurate or complete and it should not be relied on as such. This commentary is not an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. Our commentaries are distributed primarily electronically and, in some cases, in printed form. No part of this commentary may be reproduced or distributed in any manner without the written permission of Investors Champion Ltd. Investors Champion Ltd specifically prohibits the re-distribution of this report, via the Internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect. This document must not be accessed or used in any way that would be illegal in any jurisdiction.

Investor's Champion Ltd is not regulated by the Financial Conduct Authority (FCA)



**Investor's Champion Ltd**  
Langwood House,  
63-81 High Street,  
Rickmansworth, Herts WD3 4DZ  
[www.investorchampion.com](http://www.investorchampion.com)