

Corporate

Share Price 107.5p

Reuters/BBG Index	SND.L / SND LN FTSE AIM
Sector	Software & Computer Svs
Market Cap	£65m

MORNING COMMENT

Sanderson Group

£3.2m acquisition of Gould Hall

Sanderson has announced the acquisition of supply chain software provider Gould Hall for a maximum enterprise value of £3.2m (over half of which is deferred). This will sit well in its Enterprise division and strengthens the offering within supply chain logistics and distribution. The business is profitable (PBT of £300k on rev of £3.0m in its latest published accounts to 31 March 2018) and, being mainly bought for cash, can be expected to be earnings enhancing in its first full year of ownership. We leave forecasts unchanged for now and will revisit on the back of H1 results which are expected on 15 May.

- What do we know about Gould Hall?** The GH website (www.gouldhall.com) describes the business as a provider of specialist business solutions based on 30 years of know-how. This has historically been based on barcode technology and real-time data capture and processing including proof of delivery and on-line tracking - note there is some relevance here to Touchstar Technologies (AIM: TST, 41.5p, Corp rating). Customers include major retailers hence some good crossover in customer base with the existing Sanderson business. Whilst latest published trading figures are one year out of date (March 2018), the business made ~£300k PBT on £3m of revenue. This suggests the initial acquisition multiple is ~5.5x PBT (~7x earning assuming a plain vanilla tax charge) based on the unconditional element of the purchase price (£1.62m adjusted for cash) pre the £1.55m which is conditional upon future performance.
- Impact on forecasts** We leave forecasts unchanged pending the H1 outcome. Our thinking is to add in GH for both years on the basis of its 2018 annualised £3.0m revenue, £300k PBT historic performance (adding in a 5 month pro-rata contribution for FY2019E). This almost certainly understates reality but, pending management getting under the bonnet and integrating the business, it would be a prudent place to start. Note there will be a very minor amount of dilution from the 500,000 new shares issued (<1%).
- WHI view** Momentum continues to build in the stock and the recent positive pre-close update (15 April) has pushed the share price back through 100p once more. Despite this, the current year rating of 13.4x earnings, falling to 11.9x 2020E, continues to compare favourably with the peer group trading on typically late teen and higher P/Es.

Estimates (Sep - £m)	2017A	2018A	2019E	2020E
Revenue (£m)	21.6	32.1	34.4	36.2
WHI EBITDA (£m)	4.6	6.6	6.7	7.3
WHI PTP (£m)	3.7	4.8	5.4	5.9
WHI EPS (FD) (p)	6.3	7.6	8.0	9.0
P/E (x)	17.1	14.1	13.4	11.9
DPS (p)	2.65	3.00	3.20	3.40
Yield %	2.5	2.8	3.0	3.2

Source: Company accounts, WHIreland estimates

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Analyst

Eric Burns
+44 (0)113 394 6608
eric.burns@whirelandcb.com

WHIreland Limited, 24 Martin Lane, London, EC4R 0DR, tel. 020 7220 1666
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Contacts

Research

Eric Burns	Technology / Financials	0113 394 6608	eric.burns@whirelandcb.com
John Cummins	Consumer / Support Services	020 7220 1755	john.cummins@whirelandcb.com
Matthew Davis	Technology	0113 394 6620	matthew.davis@whirelandcb.com
Brendan Long	Oil & Gas	020 7220 1694	brendan.long@whirelandcb.com
Paul Smith	Mining	0113 394 6609	paul.smith@whirelandcb.com
Nick Spoliar	Support Services	020 7220 1761	nick.spoliar@whirelandcb.com

Sales & Trading

David Kilbourn		020 7398 1106	david.kilbourn@whirelandcb.com
John Syropoulo		020 7398 1140	john.syropoulo@whirelandcb.com
Harry Ansell		020 7220 1670	harry.ansell@whirelandcb.com
Dan Bristowe		020 7220 1648	daniel.bristowe@whirelandcb.com
Melvyn Brown		020 7220 1688	melvyn.brown@whirelandcb.com

Corporate Broking & Investor Relations

Adam Pollock		020 7220 0482	adam.pollock@whirelandcb.com
Jasper Berry		020 7220 1690	jasper.berry@whirelandcb.com
Hayley Richardson		020 7220 1695	hayley.richardson@whirelandcb.com
Aimee McCusker		020 7398 1136	aimee.mccusker@whirelandcb.com
Holly Boddington		0207 398 1150	holly.boddington@whirelandcb.com

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Corporate	50	84.7	50	100.0
Buy	7	11.9	0	0.0
Speculative Buy	0	0.0	0	0.0
Outperform	1	1.7	0	0.0
Market Perform	1	1.7	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
Total	59.0	100.0	50.0	100.0

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Company Name	Table of interest number	12-month recommendation history	Date
Sanderson Group (SND)	4	Corporate	11.12.17

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