

Corporate

Share Price 107.5p

Reuters/BBG Index Sector Market Cap
SND.L / SND LN FTSE AIM Software & Computer Svs £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 Whilst latest published trading figures are one year out of date (March 2018), the business made ~£300k PBT on £3m of revenue.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

Marketing Communication

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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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| Recommendation | Total Stocks | Percentage % | Corporate | Percentage % |
|-----------------|--------------|--------------|-------------|--------------|
| 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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