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Sanderson Group PLC - SND Pre-Close Trading Update
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SANDERSON GROUP PLC
Pre-Close Trading Update
"Further strong growth in first half"

Sanderson Group plc ('Sanderson' or 'the Group'), the specialist provider of digital technology solutions, innovative software and managed services for the retail, wholesale, supply chain logistics, food and drink processing and manufacturing market sectors, issues the following trading update ahead of the announcement of its interim results for the six months ended 31 March 2019, which are scheduled to be released on 15 May 2019.

The Group's trading results for the six month period ending 31 March 2019, stated under the new IFRS 15 accounting standard, are ahead of management's expectations with revenue growing to approximately £17.0 million (H1 2018: £14.6 million) and operating profit (stated before the amortisation of acquisition-related intangibles, share-based payment charges and 'one-off' non-recurring items) increasing by over 30% to £2.8 million (H1 2018: £2.1 million). The Group adopted IFRS 15 with effect from 1 October 2018 on a modified retrospective basis meaning that the prior year comparatives have not been restated. On a comparable basis, excluding the impact of IFRS 15, revenues have risen by over 15% to £16.9 million and operating profit (stated before the amortisation of acquisition-related intangibles, share-based payment charges and 'one-off' non-recurring items) has increased by over 20% to £2.5 million.

Sales order intake has continued to grow and the order book, which continues to be well balanced across the Group's businesses, stands at approximately £8.0 million at the period-end.

The Group continues to be cash generative and at 31 March 2019, the Group's net cash balance stood at £3.29 million (31 March 2018: £1.39 million), ahead of management's expectations. Excluding the five-year repayable term debt facility assumed with the acquisition of the Anisa Group completed on 23 November 2017, the Group's cash balance was £6.05 million (31 March 2018: £5.06 million). During April 2019 the final deferred consideration payment of £0.5 million was made in respect of this acquisition, resulting in the initial and deferred cash consideration having been satisfied entirely from the Group's own cash resources.

Digital Retail Division

Digital Retail has continued to perform strongly in the six month period ending 31 March 2019 and achieved further double-digit revenue and operating profit growth. This division has continued to benefit from increased investment in sales and marketing capability with the sales order intake being above prior year levels and continued strong sales prospects.

Enterprise Division

The Enterprise Division has continued to make good progress. Sales order intake in the Manufacturing business grew by over 10% against the previous year, with the business which focusses on the food & drink processing sector performing particularly strongly. The Group businesses addressing the supply chain logistics sector, strengthened by the acquisition in November 2017, have made a strong start to the current financial year with continued growth which is expected to continue into the second half of the financial year. Hosted managed solutions are now available to customers in all Group businesses, leveraging the capability acquired in November 2017 and considerably enhancing the range of products, services and solutions which Sanderson is now able to offer to its customers. The Group business which focuses on the supply of solutions to the wholesale distribution market has continued to trade well, benefitting from continued strong interest in its new digital solutions suite of products launched in 2018.

Strategy and Outlook

The Board continues to be cautious in its approach, sensitive to both market conditions as well as to monitoring the general economic environment carefully. However, following the strong trading momentum built in the first half of the year, a healthy order book, high recurring revenues and a strong, cash backed balance sheet, the Board has confidence that the Group is well positioned to make further progress in the rest of the full financial year ending 30 September 2019. This will enable the Board to maintain its progressive dividend policy and continue to build shareholder value.

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