

SANDERSON GROUP (AIM:SND)

Share price 95p

Encouraging start to the financial year and raised dividend

Date: 22nd January 2019

Sector: Software & Computer Services

Market Cap: c£57m

www.sanderson.com

Business remains encouraging for the specialist provider of digital technology solutions, reflected in the latest AGM statement.

The statement confirmed that at the end of the first quarter, to 31 December 2018, Group revenue and profit were approximately 20% ahead of the comparable prior year period reflecting organic growth and an additional two months contribution from the acquisition of the Anisa Group, which was completed in November 2017. The expanded order book gives a good level of confidence going into the second quarter of the financial year.

- Strong cash flow

The cash flow in the period remains its usual excellence with cash at 21 January 2019 of £6.36m (30 September 2018: £6.47m). This is after a planned net outflow of £1.35m for deferred consideration and the redemption of loan notes relating to the Anisa acquisition.

The acquisition of Anisa has significantly enhanced the size and strength of the Group's Enterprise Division. As part of the acquisition, the Group assumed a five-year term debt facility with an outstanding balance of £4.13m. After scheduled repayments, this has been reduced to £2.98m, leaving the Group in a positive net cash position of £3.38m as of 21 January 2019 (30 September 2018: £3.03m).

- Operations

Sanderson breaks down its business in terms of a **Digital Retail Division** and an **Enterprise Division**. The Enterprise software division now includes the recently acquired **Anisa Supply Chain Logistics** business, with the remaining parts of the division comprising 2 market-focused businesses based on the **Manufacturing sector and the Distribution and Logistics sector**.

The **Digital Retail Division** provides comprehensive solutions for ecommerce, mobile commerce and retail, including cloud-based store solutions and works with leading retailers such as Richer Sounds plc, JD Sports Fashion plc and Superdry.

The Digital Retail division has continued to grow both revenue and operating profit at double-digit rates. Management reassured that, notwithstanding reports of mixed trading performances from retailers generally, sales prospects remain good.

The Sanderson Enterprise division has made an encouraging start to the year. with momentum continuing to build following an improved performance in the second half of the previous financial year.

In the manufacturing sector, sales prospects have shown some improvement, particularly in the food and drink processing business, however sales cycles remain protracted. Sales momentum in the wholesale distribution sector is strong and is driven by a newly developed suite of business solutions. The supply chain logistics business continues to deliver



SMALL CAP SHARE COMMENT

Commissioned Commentary

SANDERSON GROUP (AIM:SND)

Share price 95p

Encouraging start to the financial year and raised dividend

Date: 22nd January 2019

Sector: Software & Computer Services

Market Cap: c£57m

www.sanderson.com

robust results and has strong sales prospects.

- Raised dividend

The recommended final dividend of 1.75p brings the full year dividend to 3.00p, a 13% increase over the previous year.

- Broker estimates

House broker forecasts for the Financial Year ending September 2019 remain for sales up 7.5% to £34.4m, adjusted pre-tax profit up 12.5% to £5.4m and adjusted EPS up 5.2% to 8.0p.

The forecast 2019 dividend of 3.20p, covered 2.5x by adjusted earnings, equates to a yield of approx. 3.3% at the current share price.

Sanderson has now assembled a software and services group supporting all elements of the supply chain, from manufacturing, through distribution, warehousing and retail.

It continues to look in excellent shape!



Investor's Champion Ltd

Langwood House,
63-81 High Street,
Rickmansworth, Herts WD3 4DZ
www.investorchampion.com



SMALL CAP SHARE COMMENT
Commissioned Commentary

SANDERSON GROUP (AIM:SND)
Share price 95p

Date: **22nd January 2019**
Sector: **Software & Computer Services**
Market Cap: c£57m
www.sanderson.com

Encouraging start to the financial year and raised dividend

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.investorschampion.com