

**SANDERSON GROUP (AIM:SND)**

Share price 95p

Encouraging start to the financial year and raised dividend

Date: 22<sup>nd</sup> January 2019

Sector: Software &amp; Computer Services

Market Cap: c£57m

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

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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!**



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