



## SMALL CAP SHARE COMMENT

*Commissioned Commentary*

**SANDERSON GROUP** (AIM:SND)  
Share price 113p

Date: 2<sup>nd</sup> May 2019  
Sector: Software & Computer Services  
Market Cap: c£68m  
[www.sanderson.com](http://www.sanderson.com)

Earnings enhancing acquisition builds on the capability of the Enterprise division

The specialist provider of digital technology solutions has announced the acquisition of Gould Hall Computer Services Limited for a maximum enterprise value of £3.17m.

### - Well-established business

Established for over thirty years, Gould Hall, which is based in Skelmersdale, provides software solutions to customers operating in the supply chain and distribution sectors.

For the year ending 31 March 2018 Gould Hall generated revenue of £3.03m and profit before tax of £0.30m. Net assets at that date were £1.44m and at acquisition, the acquired net assets included net cash balances of £0.79m.

### - Consideration

The purchase consideration comprises an initial £1.85m, made up of £1.27m in cash and by the issue of 500,000 Sanderson shares. The consideration shares are subject to a lock-in period of three years.

Deferred consideration, totalling £2.15m, is payable in cash in several tranches over the next six years with £0.60m unconditional and payable by 2023. A further £1.55m is conditional upon certain performance criteria having been met.

Based on the initial consideration and the unconditional element of the deferred consideration, net of cash acquired, the acquisition multiple of approximately 6.8x

post tax profits for 2018 looks very reasonable.

### - Earnings enhancing

Providing full enterprise solutions for its customers, the acquisition further builds on the capability of the Sanderson Enterprise division and should be earnings enhancing in its first full year of ownership given the large cash component of the acquisition price.

The Enterprise software division also acquired Anisa Supply Chain Logistics business in November 2017.

### - Broker forecasts

The house broker has left forecasts unchanged pending the first half results statement which is expected on 15 May.

For the year ending September 2019, forecasts remain for revenue of £34.4m, pre-tax profit of £5.5m and earnings per share of 8.0p, with the forecast dividend 3.2p.

**This results in a relatively modest current year multiple of just over 14x forecast earnings and a dividend yield of 2.8%.**





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