

Corporate

Share Price 94.5p

Reuters/BBG Index Sector Market Cap
SND.L / SND LN FTSE AIM Software & Computer Svs £57m

MORNING COMMENT

Sanderson Group

AGM update

Today's AGM statement notes that trading in Q1 of the current year has got off to a strong start with both revenue and profits said to be ~20% higher y-o-y. This reflects both organic growth as well as the additional two months trading of Anisa Group, acquired in 2017. With a focus on more dynamic multi-channel retailers, Sanderson remains unaffected by wider malaise on the High Street with the Digital Retail division continuing to grow organically at double digit rates.

- AGM update key takeaways** A strong start with overall revenue and profit increasing by ~20%. Whilst the organic element of this figure is not given, the statement also makes clear that the business has witnessed underlying LFL growth. In Q1, new customers have been signed and sales order intake levels have also been encouraging compared with the prior year period. The order book has also grown, providing a good level of confidence going into Q2. Net cash totalled £3.4m as of yesterday, up from £3.0m as at 30 September 2018.
- Outlook robust, notwithstanding general economic uncertainty** By targeting more dynamic multi-channel retailers, Sanderson has not been impacted by the well-documented troubles on the High Street. Prospects in the Manufacturing division are said to be showing signs of improvement (particularly in food and drink) although sales cycles remain protracted, something that Sanderson has flagged previously.
- Forecasts** We made some small upgrades to current year numbers at the time of the FY18 results in November (~3-4% at the EBITDA line) and are not making any further revisions this morning. This leaves the stock trading on a current year P/E of sub-12x and yielding 3.4%, attractive in our view against comparatives in the sector, which typically trade on P/Es in the late-teens.

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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)	15.0	12.4	11.8	10.5
DPS (p)	2.65	3.00	3.20	3.40
Yield %	2.8	3.2	3.4	3.6

Source: Company accounts, WHIreland estimates

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Corporate	52	85.2	52	100.0
Buy	6	9.8	0	0.0
Speculative Buy	0	0.0	0	0.0
Outperform	2	3.3	0	0.0
Market Perform	1	1.6	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
Total	61.0	100.0	52	100

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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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