



**Sanderson Group PLC** - SND Trading Update and Notice of Preliminary Results  
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Sanderson Group PLC  
30 October 2017

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**SANDERSON GROUP PLC**  
**Pre-close Trading Update**  
**and Notice of 2017 Preliminary Results**

Sanderson Group plc ('Sanderson' or 'the Group'), the software and IT services business specialising in digital retail technology and enterprise software for businesses operating in the manufacturing, wholesale distribution and logistics sectors, issues the following trading update ahead of the announcement of its preliminary results for the year ended 30 September 2017, scheduled to be released on 28 November 2017.

The Group's unaudited revenue for the year ended 30 September 2017 is expected to be approximately £21.5 million (2016: £21.32 million) and operating profit, adjusted for amortisation of acquisition-related intangibles, share-based payment charges and one-off non-recurring items, is approximately £3.9 million (2016: £3.69 million). These non-recurring items, in the region of £0.5 million, include costs relating to potential acquisitions during the year, the consolidation of office premises with internal reorganisation, as well as the costs incurred in changing the Group Finance Director.

These costs are mitigated by the receipt in full of a licence fee from a former customer who had been disputing the payment relating to their access of the Group's software. Pre-contracted recurring revenues increased to over £11 million (2016: £10.76 million) and represent over half of total revenue. Group margins were maintained at a high level of 82% in line with the first half of the financial year.

Sales order intake totalled £13.7 million (2016: £12.26 million). The Group order book at 30 September 2017 stood at an optimal level of £5.8 million (2016: £3.02 million) and includes a significant order from an existing customer which is scheduled to be delivered over the course of the next two financial years.

The Group cash balance at 30 September 2017 was well ahead of market expectations at over £6 million (30 September 2016: £4.34 million) and this reflects the Group's

continuing strong cash generation and is after the payment of £1.38 million of dividends paid to shareholders during the financial year ended 30 September 2017.

### **Digital Retail Division**

Digital Retail, which operates in very active and rapidly developing markets, continued to make good progress and comfortably achieved double digit growth. Digital Retail gained the significant order from an existing customer, referred to above. We previously reported that a large new retail customer had been gained towards the end of the financial year ended 30 September 2016 ('prior year'); this was Richer Sounds and with a high level of effort and teamwork, both from the excellent Richer team, as well as from our own support team, the Sanderson solution was successfully installed and implemented during the financial year ending 30 September 2017. Following the receipt of an initial order worth over £200,000, a large pilot scheme is now underway with a leading global fashion brand. We continue to invest in management, sales and delivery capacity in anticipation of continued rapid growth in the digital retail market. Sales prospects remain good.

### **Enterprise Division**

The Enterprise Division delivered another solid year's trading performance and though sales prospects are good, sales cycles do remain extended.

The Manufacturing business is very much driven by activity in the food and drink processing sector. The Group businesses which focus on the supply of solutions to the wholesale distribution and logistics sectors have also traded solidly. A large order gained during the 'prior year' was successfully delivered during the course of the current year to DPD Logistics, one of the UK's major delivery, logistics businesses. The Enterprise business has good sales prospects but as ever, the timing of the receipt of sales orders will be critical to business performance.

### **Outlook**

Whilst the Group has not yet detected any major loss of confidence from either existing or from prospective customers, the Sanderson Board will continue to monitor the situation carefully.

The Board remains keen to enhance the strength of the Group by selective complementary acquisitions. Management will continue to adopt a careful and measured approach to acquisitions with the priority being very much focused on continuing to deliver shareholder value.

Sanderson has a good order book and together with a healthy balance sheet, strong reputation and good track record in its markets, the Group is well positioned to make further progress during the current year ending 30 September 2018.

Enquiries:

**Sanderson Group plc**  
Christopher Winn, Chairman  
Ian Newcombe, Chief Executive  
Richard Mogg, Finance Director

0333 123 1400

**N+1 Singer (Nominated Adviser and Broker)**  
Mark Taylor/James White

020 7496 3000

**Walbrook PR Limited**  
Paul Vann

0117 985 8989  
or 07768  
807631

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