

# SANDERSON DESIGN GROUP

## CONSUMER DISCRETIONARY

25 July 2022

### SDG.L

108p

Market Cap: £76.3m

#### SHARE PRICE (p)



12m high/low

234p/108p

Source: LSE Data (priced as at prior close)

#### KEY DATA

Net (Debt)/Cash	£19.1m (at 31/01/22)
Enterprise value	£57.2m
Index/market	AIM
Next news	H1 update - Aug '22
Shares in Issue (m)	71.0
Chairman	Dame Dianne Thompson
Chief Executive	Lisa Montague
Finance Director	Mike Woodcock

#### COMPANY DESCRIPTION

Sanderson Design Group is a luxury interior furnishings company, specialising in wallpapers, fabrics and paints.

[www.sandersondesign.group](http://www.sandersondesign.group)

SANDERSON DESIGN GROUP IS A RESEARCH CLIENT OF PROGRESSIVE

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## Renewal of licensing agreement with NEXT

Sanderson Design Group has announced the extension of its Morris & Co licensing agreement with NEXT plc for a period of up to two years from April 2023, covering NEXT's in-store and online operations in the UK and Europe. This follows announcements of a Morris & Co collaboration with the Emery Walker Trust in May and a Harlequin collaboration deal with interior designer and TV broadcaster Sophie Robinson in June. The group will announce its H1 trading update for the six months to end July on 4 August.

- NEXT licensing extension confirms a strong relationship.** The announcement of an extension of NEXT's licensing agreement with the Morris & Co brand for womenswear using new designs and colourways is positive news for the group, both financially and as a vote of confidence in the application of heritage designs to contemporary womenswear with a major omni-channel retailer. NEXT is to launch a further range of Morris & Co womenswear for the autumn/winter 2023 season. This extension will result in the recognition of around £0.4m of accelerated income in FY23E relating to Year 1 of the two-year extension, with a further £0.3m in FY24E relating to Year 2. The latter assumes the break clause after Year 1 (exercisable by either party by the end of October 2023) is not exercised.
- Further brand collaborations announced for Harlequin and Morris & Co.** The group has signed a three-year collaboration deal for Harlequin with Sophie Robinson, widely referred to as 'the queen of colour', as the next step in the development of the Harlequin brand. A capsule range of wallpapers and fabrics is expected to launch in spring 2023. The Emery Walker Trust agreement will see Morris & Co launch a collection of fabrics, wallpapers, bedding and homewares based on items within Emery Walker's House, now a museum to the Arts and Crafts movement.
- H1 trading update to be announced on 4 August.** The group will release a more detailed H1 trading update on 4 August following the qualitative comments made in its 12 July AGM trading update. The AGM update stated that the group was trading broadly in line with the equivalent period last year, with profits remaining on track to meet the Board's full year (FY23E) expectations. The key growth drivers highlighted in the FY22 full-year results have continued since that April announcement, primarily manufacturing, the Morris & Co brand and the US. Licensing was also reported to have seen a continuation of good performance, further underlined by today's announcement on NEXT's contract extension.

FYE JAN (£M)	2021	2022	2023E	2024E	2025E
Revenue	93.8	112.2	119.1	128.4	138.4
Adj EBITDA	13.5	18.2	19.5	20.7	22.1
Fully Adj PBT	7.0	12.6	13.0	14.0	15.2
Fully Adj Dil EPS (p)	7.7	13.6	14.7	15.8	16.7
EV/Sales (x)	0.6x	0.5x	0.5x	0.4x	0.4x
EV/EBITDA (x)	4.2x	3.1x	2.9x	2.8x	2.6x
PER (x)	13.9x	7.9x	7.3x	6.8x	6.4x

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

**Financial Summary: Sanderson Design Group**

Year end: January (£m unless shown)

	2021	2022	2023E	2024E	2025E
<b>PROFIT &amp; LOSS</b>					
Revenue	93.8	112.2	119.1	128.4	138.4
Adj EBITDA	13.5	18.2	19.5	20.7	22.1
Adj EBIT	7.2	12.5	13.2	14.2	15.4
Reported PBT	4.9	10.4	10.7	11.7	12.9
Fully Adj PBT	7.0	12.6	13.0	14.0	15.2
NOPAT	5.5	9.3	10.1	10.1	11.6
Reported EPS (p)	5.3	10.8	11.5	12.2	13.5
Fully Adj Dil EPS (p)	7.7	13.6	14.7	15.8	16.7
Dividend per share (p)	0.0	3.5	3.8	4.0	4.3
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	17.8	13.1	16.9	15.2	17.2
Free Cash flow	16.4	6.7	4.7	2.9	4.4
FCF per share (p)	23.2	9.4	6.7	4.1	6.3
Acquisitions	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0
Net cash flow	13.8	3.9	2.0	0.3	2.0
Overdrafts / borrowings	(0.4)	0.0	0.0	0.0	0.0
Cash & equivalents	15.5	19.1	21.0	21.3	23.3
Net (Debt)/Cash	15.1	19.1	21.0	21.3	23.3
<b>NAV AND RETURNS</b>					
Net asset value	67.5	79.7	80.3	81.3	83.3
NAV/share (p)	95.1	112.3	113.1	114.6	117.4
Net Tangible Asset Value	39.2	52.7	55.1	57.9	61.6
NTAV/share (p)	55.2	74.3	77.6	81.5	86.8
Average equity	66.2	69.7	73.5	76.7	80.6
Post-tax ROE (%)	10.6%	18.0%	17.7%	18.3%	18.9%
<b>METRICS</b>					
Revenue growth	N/A	19.7%	6.1%	7.8%	7.8%
Adj EBITDA growth	N/A	35.0%	7.1%	6.2%	6.9%
Adj EBIT growth	N/A	74.9%	5.6%	7.5%	8.4%
Adj PBT growth	N/A	79.4%	3.8%	7.6%	8.6%
Adj EPS growth	N/A	76.2%	7.9%	7.5%	5.9%
Dividend growth	N/A	N/A	7.1%	5.3%	7.6%
Adj EBIT margins	7.6%	11.2%	11.1%	11.1%	11.1%
<b>VALUATION</b>					
EV/Sales (x)	0.6	0.5	0.5	0.4	0.4
EV/EBITDA (x)	4.2	3.1	2.9	2.8	2.6
EV/NOPAT (x)	10.5	6.2	5.6	5.6	4.9
PER (x)	13.9	7.9	7.3	6.8	6.4
Dividend yield	N/A	3.3%	3.5%	3.7%	4.0%
FCF yield	21.6%	8.7%	6.2%	3.8%	5.8%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

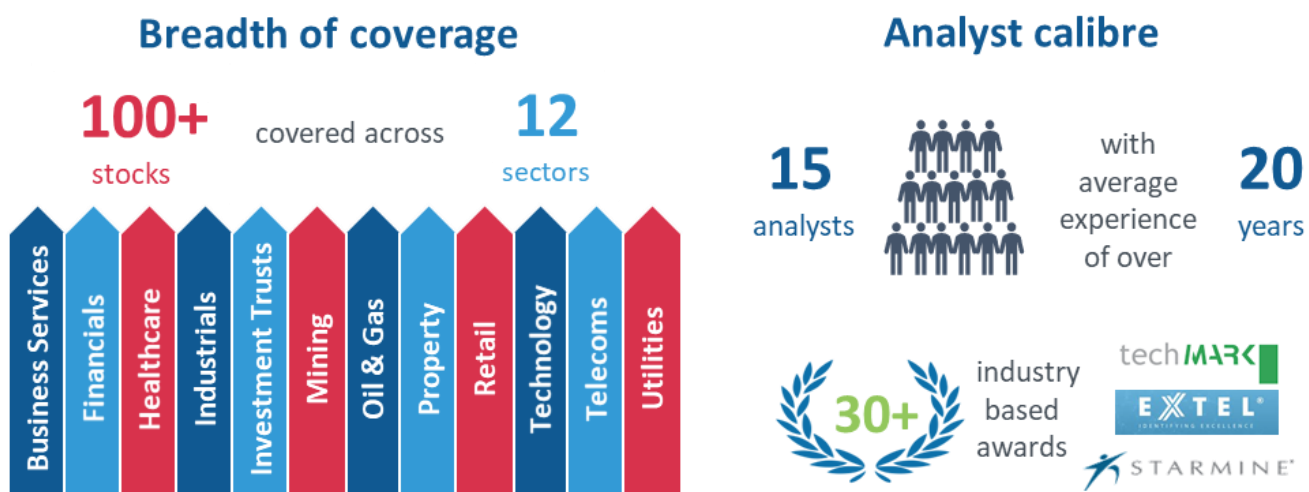
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