

# SANDERSON DESIGN GROUP

## CONSUMER DISCRETIONARY

22 February 2023

### SDG.L

119p

Market Cap: £84.1m

#### SHARE PRICE (p)



12m high/low

176p/88p

Source: LSE Data (priced as at prior close)

#### KEY DATA

Net (Debt)/Cash	£15.2m (at 31/01/23)
Enterprise value	£68.9m
Index/market	AIM
Next news	Prelims - April '23
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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## Substantial new licensing agreement with NEXT

Sanderson Design Group (SDG) has announced another major licensing agreement with NEXT, further underpinning the group's burgeoning commercial relationship with the UK's leading clothing and homewares retailer. The agreement represents a first significant licensing agreement for SDG's largest brand by revenue, Clarke & Clarke, and will encompass a wide range of homeware categories, from bedding and towelling to furniture and lighting. Covering a five-year licence term, SDG will recognise accelerated licensing income of £2.6m in the current FY24 financial year.

- Licensing agreement details – a five-year licence period.** This new agreement continues a flourishing series of agreements with NEXT, which to date have focused most extensively on womenswear products with the Morris & Co brand. Under this agreement, NEXT will hold a master agreement bestowing exclusive rights to produce a broad range of Clarke & Clarke homeware products. With NEXT responsible for production, this effectively de-risks the venture for SDG. The product launch is slated for spring/summer 2024. The Clarke & Clarke licensed products will be available through NEXT's stores and online, with NEXT also proposing to wholesale the ranges to third parties. Any such incremental wholesale revenues could greatly enhance the earnings potential of the agreement.
- Clarke & Clarke – a major extension to brand prospects.** To date, Clarke & Clarke's licensing activities have comprised an out-licensing agreement with Asiatic Rugs, an in-licensing agreement with Wedgwood and a long-standing collaboration with the designer Emma Shipley. These stand outside this major new agreement with NEXT. While selling some homeware ranges, Clarke & Clarke's prime focus is wallpaper and fabric. NEXT's leveraging of the brand into homewares will promote the brand to a very similar customer profile, which in turn should deliver a positive halo effect for Clarke & Clarke and its core product offering.
- Forecasts unchanged – outlook update in April.** The booking of £2.6m of accelerated licensing income is extremely welcome at this early stage of FY24. It should, however, be borne in mind that our forecasts include an inherent assumption of total licensing income, which includes a stream of accelerated licensing income. With the full-year FY23 results due to be published in April, along with a more detailed review of opportunities and prospects for FY24, we are leaving our forecasts unchanged at this stage with a view to updating them at that time.

FYE JAN (£M)	2021	2022	2023E	2024E	2025E
Revenue	93.8	112.2	115.0	120.4	125.8
Adj EBITDA	13.5	18.2	18.9	19.0	19.3
Fully Adj PBT	7.0	12.6	12.7	12.5	12.6
Fully Adj Dil EPS (p)	7.7	13.6	14.3	14.1	13.8
EV/Sales (x)	0.7x	0.6x	0.6x	0.6x	0.5x
EV/EBITDA (x)	5.1x	3.8x	3.6x	3.6x	3.6x
PER (x)	15.4x	8.7x	8.3x	8.4x	8.6x

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)

<b>PROFIT &amp; LOSS</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenue	93.8	112.2	115.0	120.4	125.8
Adj EBITDA	13.5	18.2	18.9	19.0	19.3
Adj EBIT	7.2	12.5	12.6	12.5	12.6
Reported PBT	4.9	10.4	10.6	10.4	10.5
Fully Adj PBT	7.0	12.6	12.7	12.5	12.6
NOPAT	5.5	9.3	9.8	9.8	9.5
Reported EPS (p)	5.3	10.8	11.4	10.9	10.9
Fully Adj Dil EPS (p)	7.7	13.6	14.3	14.1	13.8
Dividend per share (p)	0.0	3.5	3.5	3.5	3.6
<b>CASH FLOW &amp; BALANCE SHEET</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Operating cash flow	17.8	13.1	12.1	15.1	15.6
Free Cash flow	16.4	6.7	0.3	3.5	4.0
FCF per share (p)	23.2	9.4	0.4	5.0	5.6
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	(2.4)	0.9	1.5
Overdrafts / borrowings	(0.4)	0.0	0.0	0.0	0.0
Cash & equivalents	15.5	19.1	16.6	17.5	19.1
Net (Debt)/Cash	15.1	19.1	16.6	17.5	19.1
<b>NAV AND RETURNS</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Net asset value	67.5	79.7	80.2	80.5	81.0
NAV/share (p)	95.1	112.3	113.0	113.5	114.1
Net Tangible Asset Value	39.2	52.7	55.0	57.1	59.3
NTAV/share (p)	55.2	74.3	77.5	80.4	83.5
Average equity	66.2	69.7	73.5	76.3	79.1
Post-tax ROE (%)	10.6%	18.0%	17.3%	16.4%	15.9%
<b>METRICS</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenue growth	N/A	19.7%	2.5%	4.7%	4.5%
Adj EBITDA growth	N/A	35.0%	3.7%	0.7%	1.5%
Adj EBIT growth	N/A	74.9%	0.7%	(0.7%)	0.5%
Adj PBT growth	N/A	79.4%	1.3%	(1.5%)	0.5%
Adj EPS growth	N/A	76.2%	4.9%	(1.5%)	(2.0%)
Dividend growth	N/A	N/A	0.0%	0.0%	2.9%
Adj EBIT margins	7.6%	11.2%	11.0%	10.4%	10.0%
<b>VALUATION</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EV/Sales (x)	0.7	0.6	0.6	0.6	0.5
EV/EBITDA (x)	5.1	3.8	3.6	3.6	3.6
EV/NOPAT (x)	12.6	7.4	7.0	7.0	7.2
PER (x)	15.4	8.7	8.3	8.4	8.6
Dividend yield	N/A	3.0%	3.0%	3.0%	3.0%
FCF yield	19.6%	7.9%	0.4%	4.2%	4.8%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

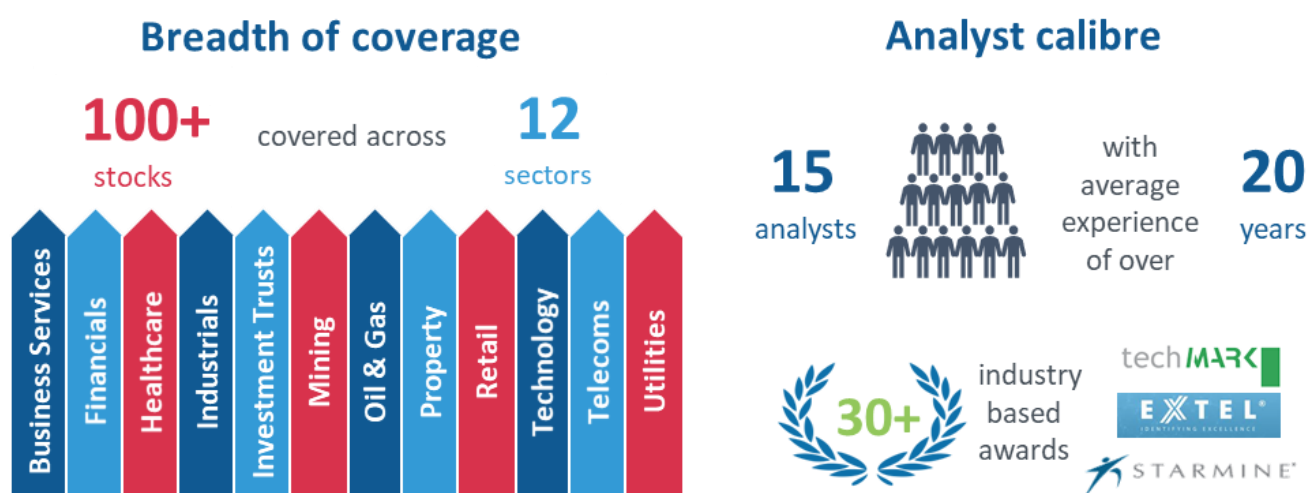
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