

SANDERSON DESIGN GROUP

CONSUMER DISCRETIONARY

7 August 2025

SDG.L

50p

Market Cap: £36.1m

SHARE PRICE (p)



12m high/low

86p/40p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£7.5m (at 31/07/25)
Enterprise value	£28.6m
Index/market	AIM
Next news	Interims, 15 October
Shares in issue (m)	72.1

Chair	Dame Dianne Thompson
CEO	Lisa Montague
CFO	Mike Woodcock

COMPANY DESCRIPTION

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

www.sandersondesign.group

SANDERSON DESIGN GROUP IS A RESEARCH
CLIENT OF PROGRESSIVE

ANALYSTS

David Jeary

+44 (0) 20 7781 5306

djeary@progressive-research.com



On track to deliver full-year expectations

Sanderson Design Group's (SDG) H1 FY26 trading update to 31 July continues to be led by the performance of its Licensing and North America operations, with reported trading up 6% and 1%, respectively. Complemented by steady revenue in third-party manufacturing, a better Brand product revenue performance in the final nine weeks and a new cost-savings initiative to reduce overheads by an annualised £1m, the group remains on track to achieve the board's expectations for the year.

- H1 trading – early signs of stabilisation.** Sales of the group's branded products delivered the highest proportion of group revenues. These declined 7% on a reported basis (and 5% on a constant currency basis) to £34.7m. North America revenue rose 1% (and 4% on a CC basis) to £11.2m, with the UK down 9% to £15.1m. While Brand sales over the last nine weeks of June and July were slightly below last year, this was a marked improvement over the H1 period as a whole, an early potential harbinger of stabilisation on the trading front. Total group revenue fell back 4% (and 3% CC) to £48.3m, marking a significant improvement over the quantum of FY25's decline.
- Manufacturing – on track to break even.** Third-party manufacturing sales held steady at £9.2m, while internal manufacturing's 34% fall to £5.3m reflected the previously outlined strategy of inventory reduction. Manufacturing's financial performance has been transformed by the success of its recent restructuring and remains on track for breakeven or better this year.
- Licensing – further underlying growth.** Licensing revenue rose by 6% to £4.4m (from £4.1m), including accelerated income of £2.4m (£2.7m). Underlying licensing revenue (ie excluding the impact of the IFRS 15 accounting standard) increased by just over 20% (£0.7m) to £3.9m.
- Net cash – a strengthening trend.** At the H1 period end, net cash stood at around £7.5m, having strengthened from the FY25 year-end position of £5.8m on 31 January. This was primarily driven by planned inventory reduction, with net cash expected to build further into the year-end.
- Forecasts – and next news.** In light of the totality of trading news and cost-savings initiatives, the Board's expectations for the year are unchanged. Accordingly, we make no amendments to our forecasts. The group expects to deliver its interims results on 15 October.

FYE JAN (£M)	2023	2024	2025	2026E	2027E
Revenue	112.0	108.6	100.4	103.1	107.2
Adj EBITDA	17.9	18.1	9.2	10.2	11.1
Fully Adj PBT	12.6	12.2	4.4	5.0	5.7
Fully Adj Dil EPS (p)	14.2	13.6	3.8	5.3	6.1
EV/Sales (x)	0.3x	0.3x	0.3x	0.3x	0.3x
EV/EBITDA (x)	1.6x	1.6x	3.1x	2.8x	2.6x
PER (x)	3.5x	3.7x	13.1x	9.4x	8.2x

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.

Controlling the controllables

SDG continues to pursue both its well-defined strategy and its mantra of controlling the controllables against what remains a challenging economic backdrop. The group can take pride in the growth achieved by its strategic priorities of licensing and North America, which bode well for longer-term growth, and comfort from its pragmatic approach to the management of its cost base relative to macroeconomic challenges.

The group's restructuring exercises in its manufacturing base are slated to deliver at least breakeven in FY26E, following FY25's loss before tax of £2.6m. This represents a robust turnaround, in our view.

The announcement of another initiative to further reduce central overheads by an annualised £1m will help to protect the bottom line and should be warmly welcomed by shareholders.

Other developments discussed in our last note – '[Getting fit for the future](#)' – are coming through to support the growth prospects of SDG, most notably in the digitalisation of the business, alongside US First and Future Factory. SDG is on track to launch its much-enhanced Trade Hub later this month, and the successful launch of the Morris & Co direct-to-consumer (DTC) site will be followed soon by the upcoming launch of DTC sites for the Sanderson and Harlequin brands.

In terms of range developments, the Highgrove by Sanderson collection has been well-received internationally, with an unprecedented level of sample requests for the brand. The international retail launch of Morris & Co's first Huntington collection, titled The Unfinished Works, takes place at the beginning of September. Comprising rarely seen and never produced before designs, this collection is expected to create significant interest amongst fans and adherents of the Arts & Crafts movement.

SDG continues to cultivate the strategic pillar of licensing, as shown in H1's successful outturn. Agreements signed in the period included a renewal in the US for the Morris & Co brand with The Tile Shop, along with an extension of the Sanderson brand's agreement with Portmeirion's Royal Worcester tableware. The group reiterates its expectation of FY26E licensing revenue being broadly the same as that achieved last year, namely £11.0m.

H1 trading update

Details of the H1 trading performance of the group's reporting segments can be seen in the following table. The percentage change over the prior-year reporting period is shown on both a reported basis (at prevailing exchange rates for the respective periods) and on a constant currency (CC) basis (applying the exchange rates for the current-year period to the prior-year period figures).

UK brand trading saw a 9% decline in revenue over the period, compared with the 14% decline reported in H1 last year. This points to continuing weakness in overall consumer confidence and demand.

The 10% revenue decline in Northern Europe is most influenced by the inclusion of the Republic of Ireland in this geographical segment, since it more closely mirrors the performance of the UK.

The stronger brand performance reported over the last nine weeks of the period offers some encouragement that the group may be seeing the early signs of stabilisation on the overall trading front, though we must await further trading newsflow for quantified evidence on this front.

H1 revenue performance by reporting segments – FY26 and FY25

	H1 revenues (£m)		% change	
	FY26	FY25	Reported	CC basis
Brand product				
- UK	15.1	16.7	(9%)	(9%)
-North America	11.2	11.1	1%	4%
-Northern Europe	4.3	4.8	(10%)	(9%)
-Rest of the World	4.1	4.6	(10%)	(9%)
Total Brand product revenue	34.7	37.2	(7%)	(5%)
Manufacturing				
-External	9.2	9.2	(1%)	
-Internal	5.3	8.0	(34%)	
Total Manufacturing revenue	14.5	17.2	(16%)	
Licensing				
Total Licence revenue	4.4	4.1	6%	
Group revenue	48.3	50.5	(4%)	(3%)

Source: Sanderson Design Group, Progressive Equity Research

Further insights, including into individual brand performance, will be provided in the interim results, which are due to be published on 15 October.

Financial Summary: Sanderson Design Group

Year end: January (£m unless shown)

PROFIT & LOSS	2023	2024	2025	2026E	2027E
Revenue	112.0	108.6	100.4	103.1	107.2
Adj EBITDA	17.9	18.1	9.2	10.2	11.1
Adj EBIT	12.4	11.6	20.1	5.0	5.7
Reported PBT	10.9	10.4	(13.9)	3.7	4.4
Fully Adj PBT	12.6	12.2	4.4	5.0	5.7
NOPAT	9.7	9.7	1.7	3.5	4.1
Reported EPS (p)	12.3	11.3	(20.7)	3.8	4.5
Fully Adj Dil EPS (p)	14.2	13.6	3.8	5.3	6.1
Dividend per share (p)	3.5	3.5	1.5	1.5	1.8
CASH FLOW & BALANCE SHEET	2023	2024	2025	2026E	2027E
Operating cash flow	5.9	12.9	0.5	8.3	8.9
Free Cash flow	(2.1)	5.6	(6.8)	4.3	4.7
FCF per share (p)	(2.9)	7.8	(9.5)	6.0	6.5
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	(3.6)	0.9	(10.5)	2.7	3.3
Overdrafts / borrowings	0.0	0.0	0.0	0.0	0.0
Cash & equivalents	15.4	16.3	5.8	8.5	11.8
Net (Debt)/Cash	15.4	16.3	5.8	8.5	11.8
NAV AND RETURNS	2023	2024	2025	2026E	2027E
Net asset value	81.3	86.5	68.7	67.8	67.6
NAV/share (p)	114.4	121.7	96.7	95.5	95.2
Net Tangible Asset Value	54.9	59.8	57.8	57.8	58.4
NTAV/share (p)	77.2	84.2	81.4	81.3	82.1
Average equity	74.2	77.9	69.8	60.1	60.6
Post-tax ROE (%)	17.0%	15.6%	6.3%	8.3%	9.5%
METRICS	2023	2024	2025	2026E	2027E
Revenue growth	(0.2%)	(3.0%)	(7.6%)	2.7%	4.0%
Adj EBITDA growth	(1.6%)	1.3%	(49.5%)	11.2%	8.7%
Adj EBIT growth	(0.6%)	(6.5%)	74.4%	(75.2%)	14.6%
Adj PBT growth	1.5%	(3.7%)	(64.1%)	14.6%	14.6%
Adj EPS growth	2.9%	(4.0%)	(71.8%)	38.8%	14.6%
Dividend growth	0.0%	0.0%	(57.1%)	0.0%	20.0%
Adj EBIT margins	11.0%	10.6%	20.1%	4.9%	5.4%
VALUATION	2023	2024	2025	2026E	2027E
EV/Sales (x)	0.3	0.3	0.3	0.3	0.3
EV/EBITDA (x)	1.6	1.6	3.1	2.8	2.6
EV/NOPAT (x)	2.9	2.9	16.4	8.1	7.0
PER (x)	3.5	3.7	13.1	9.4	8.2
Dividend yield	7.0%	7.0%	3.0%	3.0%	3.6%
FCF yield	(5.8%)	15.6%	(19.0%)	11.9%	13.0%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

Copyright 2025 Progressive Equity Research Limited ("PERL"). All rights reserved. Progressive's research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

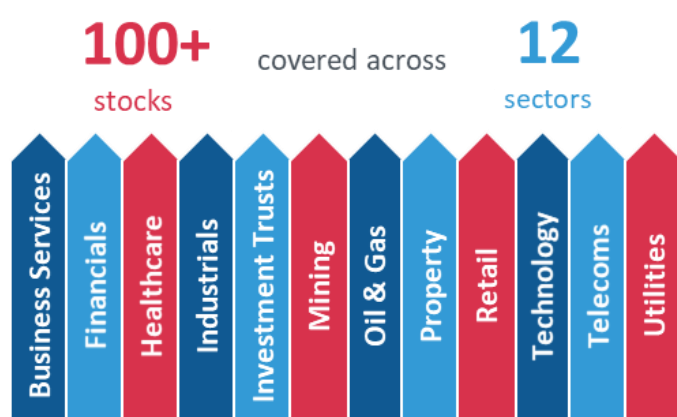
This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL's directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.

Breadth of coverage



Analyst calibre

