

Tandem Group plc

(the "Group")

TRADING UPDATE

Tandem Group plc (AIM: TND), designers, developers and distributors of sports, leisure and mobility equipment, announces a trading update ahead of its annual results for the year ended 31 December 2015 which are due to be announced in April 2016.

Trading

Revenue for the year ended 31 December 2015 was approximately 10% ahead of the prior year at £34.4 million. Revenue from the acquisition of E.S.C. (Europe) Limited (ESC), which was completed on 1 September, was £1.6m and is included in this figure. On a like for like basis, Group revenue for the year ended 31 December 2015 was approximately 5% ahead of last year.

During the year, significant investment was made to relocate the Pro Rider business to new warehouse and office accommodation in Northampton. This has also expedited the move of the ESC business from Sudbury which was completed in January 2016. Group operating profit before non-underlying items is expected to be marginally behind the prior year.

The fair value adjustment of £142,000 recorded in the year ended 31 December 2014 in respect of foreign exchange derivatives was fully reversed during the year. After accounting for this there was a net fair value credit of £104,000 recorded for the year ended 31 December 2015 which compared to a credit of £657,000 for the year ended 31 December 2014.

Bicycles and Mobility

Revenue was approximately 4% behind the prior year. Despite a strong performance from our corporate bicycles division including a significant promotional contract with a large national supermarket during the year, independent cycle dealer business continued to be challenging.

This was the first full year of Pro Rider mobility products which made a solid contribution.

Notwithstanding the decline in revenue, profitability was ahead of last year, enabled by careful margin management and control of overheads.

Sports, Leisure and Toys

Revenue, including the contribution from the ESC acquisition, increased by approximately 24%. In licensed categories our new Disney Princess property and existing licenses, Thomas & Friends and Batman performed particularly well. As anticipated, Star Wars was strong in line with the launch of the latest movie.

Our own brands Kickmaster, Pot Black and Bored showed growth over the previous year.

Despite strong revenue performance, profitability was behind the prior year partly attributable to margin pressure and also to the investment in our direct to consumer operations including relocation and integration costs.

Outlook

We have produced a strong range of cycles for the 2016 year, particularly the new range of MTB and junior models. However, we consider the mid-tier independent cycle market to be saturated and highly competitive.

In addition, we do not have a large cycle promotional contract in 2016 and therefore we expect the bicycles and mobility division to have a challenging year.

In our sports, leisure and toys division, we are pleased to have secured a number of new licenses including Finding Dory, Paw Patrol and Shopkins and we also expect Teletubbies to make a strong contribution during the year.

Feedback to our 2016 toy range at the recently held Toy Fair in London was very positive.

Following the relocation to substantially larger premises in Northampton and the integration of ESC into this operation, we expect 2016 to be a further year of investment in our direct to consumer business.

A new management team is being recruited to run the direct to consumer business. We have appointed a Managing Director with extensive eCommerce expertise. He will be supported by additional customer services, product development, marketing, design and warehousing personnel. In addition, significant further investment

will be incurred to modify and improve our IT systems which will ultimately enable a more automated order picking and despatching process. Further, we plan to redevelop all websites to facilitate our plans. We believe this investment will provide us with a springboard for future profitable growth.

The newly combined direct to consumer operation will be rebranded Expressco Direct.

The Company is investigating several import duty classification codes used for certain Pro Rider and ESC products and discussing them with HMRC. The investigation is ongoing and the Company is obtaining specialist advice. Until there is clarification on the applicability of certain codes, it is not currently possible to accurately quantify the extent of any underpaid duty, if any. However where duty is underpaid, the Company will make an appropriate provision and seek recovery of any underpayments and other losses from the sellers of Pro Rider and ESC in accordance with the agreements entered into at the time of purchase.

The recent strengthening of the US dollar is a significant risk. Although we continue to mitigate this risk where possible by the use of various foreign exchange derivative contracts, should the dollar remain at current rates it has the potential to have a negative impact on the second half of the year.

Revenue for the first eight weeks of 2016 was approximately 4% ahead of the same period in the prior year. Although our bicycle businesses remain under pressure we remain confident that our sports, leisure and toys businesses will show revenue growth in the year.

Enquiries:

Tandem Group plc
Steve Grant, Chief Executive
Jim Shears, Group Finance Director and Company Secretary
Telephone 0121 748 8075

Nominated Adviser
Cairn Financial Advisers LLP
Tony Rawlinson
James Caithie
Telephone 020 7148 7901

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