

Tandem Group plc

Half Yearly Report
for the six months ended

30 June 2020

CHAIRMAN'S STATEMENT

Results

Group revenue in the six months to 30 June 2020 increased by approximately 6% to £16,927,000 compared to £16,029,000 in the six months to 30 June 2019.

There was an increase in gross profit from £4,911,000 to £5,556,000. Gross profit margin also increased to 32.8% compared to 30.6% in the prior period principally as a result of strong demand for a number of products in limited supply and the change in the mix of business from 'FOB', where stock is shipped from the Far East, to 'domestic', where we warehouse stock in the UK prior to despatch to customers.

Operating expenses decreased from £4,331,000 to £4,078,000 in the six months to 30 June 2020 broadly as a result of a reduction in third party warehousing requirements, reduced travel expenses and wage costs.

As a result of the above, there was a significant increase in operating profit to £1,478,000 compared to £580,000 in the prior year period.

Finance costs were £69,000 in the six months to 30 June 2020. This compared to £210,000 in the prior period. There was a fair value credit for foreign currency derivative contracts of £66,000 reflecting the part reversal of the year end position which compared to a charge of £54,000 in the prior period. This is shown in non-underlying items. Non-underlying items also included finance costs of £100,000 in respect of the pension schemes against £85,000 in the six months to 30 June 2019.

The profit before taxation after non-underlying items for the period was £1,409,000 compared to £370,000 in the six-month period to 30 June 2019.

There was a tax charge of £268,000 during the period compared to £215,000 in the prior period. This reflected the increased level of profitability.

Net profit for the period to 30 June 2020 was £1,141,000 compared to £155,000 in the six months to 30 June 2019.

Basic earnings per share in the six months to 30 June 2020 was 22.7 pence per share compared to 3.1 pence per share in the prior period.

Net assets at 30 June 2020 increased to £15,266,000 against £12,446,000 at 30 June 2019.

Cash and cash equivalents were £6,322,000 at 30 June 2020 which compared to £3,740,000 at 30 June 2019. This reflected the profit for the period and also the abnormally low inventory and working capital levels.

Net cash after borrowings was £5,289,000 against net debt of £2,006,000 at 30 June 2019.

Trading update and outlook

As we reported in our AGM Statement on 25 June 2020, despite the many challenges during the period, the revenue and profitability growth over the prior year period has been encouraging.

Although Frozen 2 and Spider-Man were ahead of the prior year period, the majority of our licensed ranges were behind. This was principally as a result of cautious FOB buying, where product is purchased in full containers and shipped direct from the country of origin, by national retailers. FOB revenue from other licences including Peppa Pig, Batman, Disney Princess, Paw Patrol and Thomas were behind the prior year although domestic business was significantly ahead.

Despite lower FOB orders, domestic sales of Kickmaster football training and Hedstrom outdoor play products were also well ahead of the prior year.

The Ben Sayers brand performed strongly during the second quarter following the reopening of golf courses in May.

Although the bicycle business was more challenging at the beginning of the year, the impact of COVID-19 changed the landscape. From the second quarter onwards, revenues were at exceptional levels with significant growth with both independent bicycle dealers (IBD) and national retail customers. Our greatest challenge has been to remain in stock and to maintain timely supply to our customers.

Our range of Squish bikes has continued to increase market share and was well ahead of the same period in the prior year. In addition, there was a strong demand for our Dawes and Claud Butler ranges since the period of lockdown began, benefitting many of our IBD customers.

We are particularly excited about the growth in ebikes and growth potential of escooters. We continue to invest in both ranges utilising our own bicycle brands Dawes and Falcon and our scooter brands Li-Fe and Wired.

We are very pleased to report a strong performance from our B2C online businesses, with revenue from many of our outdoor product ranges including spas, trampolines, outdoor play and football goals ahead of the prior year. The combination of lockdown and particularly good weather during the spring months had a very positive impact.

As we previously reported, the ongoing investment into this part of the Group contributed to increased visitor traffic and revenue from our own websites. There was an increase in the number of visitors from both the Garden & Camping (www.garden-camping.com) and the At Home Comforts by Jack Stonehouse (www.jackstonehouse.com) websites of 120% and 180% respectively which resulted in significant revenue growth from these channels.

The supply chain, particularly for bicycles, remains under pressure with strong global demand on suppliers and increased lead times. Nevertheless, stock availability has improved significantly during September and is expected to continue into the final quarter in the lead up to Christmas.

National retailers continue to be cautious in their FOB buying decisions, impacting on Group revenue which fell behind the prior year during the summer period. Stock availability is also an issue which is gradually improving. However, margin from domestic business has remained strong up to and since the half year, coupled with lower overheads as a result of the COVID-19 impact.

Our outlook for the remainder of 2020 continues to be broadly positive, although at this stage it remains difficult to confidently forecast the full year result. Despite the FOB challenges, domestic demand remains encouraging.

Dividend

Due to the excellent performance of the Company in the first half of the year we are doubling the interim dividend to 3.12p per share (2019 – 1.56p per share) payable on 10 November 2020. Our dividend strategy continues to be reviewed but it remains our intention to pay a progressive dividend where profits permit. The ex-dividend date will be 8 October 2020 and the record date 9 October 2020.

Board changes

As previously announced, Mervyn Keene and Andy Bestwick recently retired from the Board with Steve Grant appointed as Non-Executive Chairman and Jim Shears as Group CEO.

Subject to the completion of normal regulatory due diligence checks, we have appointed Juliet Barratt to the Board as a Non-Executive Director. We believe that Juliet's B2B and B2C product, sales and marketing experience as well as the achievements in her business career to date will complement and enhance the existing skills on the Board.

Investor presentation

The interim results presentation for investors will be posted on the Company's website. Investors are encouraged to contact the Company with any questions about the business by telephone,

using the website or by emailing our dedicated shareholder email address **investorrelations@tandemgroup.co.uk**.

Shareholder benefits

There is a facility for shareholders to benefit from an exclusive 10% discount code on our garden, home and leisure websites **www.garden-camping.com**, **www.athomecomforts.co.uk** and **www.proriderleisure.com** by entering the discount code "SH10" on the checkout page.

Steve Grant
Chairman
22 September 2020

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 June 2020

	6 months ended 30 June 2020 <i>Unaudited</i>			6 months ended 30 June 2019 <i>Unaudited</i>			Year ended 31 December 2019 <i>Audited</i>			
	Note	Before non- underlying items £'000	Non- underlying items £'000	After non- underlying items £'000	Before non- underlying items £'000	Non- underlying items £'000	After non- underlying items £'000	Before non- underlying items £'000	Non- underlying items £'000	After non- underlying items £'000
Revenue		16,927	—	16,927	16,029	—	16,029	38,837	—	38,837
Cost of sales		<u>(11,371)</u>	—	<u>(11,371)</u>	<u>(11,118)</u>	—	<u>(11,118)</u>	<u>(27,049)</u>	—	<u>(27,049)</u>
Gross profit		5,556	—	5,556	4,911	—	4,911	11,788	—	11,788
Operating expenses		<u>(4,078)</u>	—	<u>(4,078)</u>	<u>(4,331)</u>	—	<u>(4,331)</u>	<u>(8,755)</u>	—	<u>(8,755)</u>
Operating profit before exceptional items		1,478	—	1,478	580	—	580	3,033	—	3,033
Exceptional items		—	—	—	—	—	—	—	(29)	(29)
Operating profit after exceptional items		1,478	—	1,478	580	—	580	3,033	(29)	3,004
Finance costs		<u>(35)</u>	<u>(34)</u>	<u>(69)</u>	<u>(71)</u>	<u>(139)</u>	<u>(210)</u>	<u>(182)</u>	<u>(315)</u>	<u>(497)</u>
Profit before taxation		1,443	(34)	1,409	509	(139)	370	2,851	(344)	2,507
Tax expense		<u>(268)</u>	—	<u>(268)</u>	<u>(215)</u>	—	<u>(215)</u>	<u>(425)</u>	<u>(48)</u>	<u>(473)</u>
Net profit for the period		1,175	(34)	1,141	294	(139)	155	2,426	(392)	2,034
				Pence			Pence			Pence
Earnings per share										
Basic	2			<u><u>22.7</u></u>			<u><u>3.1</u></u>			<u><u>40.5</u></u>
Diluted	2			<u><u>22.0</u></u>			<u><u>3.0</u></u>			<u><u>39.6</u></u>

All figures relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2020

	6 months ended 30 June 2020 Unaudited £'000	6 months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Profit for the period	1,141	155	2,034
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit and loss:</i>			
Foreign exchange differences on translation of overseas subsidiaries	50	13	(24)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial gain on pension schemes	—	—	65
Movement in pension schemes' deferred tax provision	—	—	24
Other comprehensive income for the period	50	13	65
Total comprehensive income attributable to equity shareholders of Tandem Group plc	1,191	168	2,099

All figures relate to continuing operations.

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2020

	At 30 June 2020 Unaudited £'000	At 30 June 2019 <i>Unaudited</i> £'000	At 31 December 2019 <i>Audited</i> £'000
Non current assets			
Intangible fixed assets	5,532	5,574	5,542
Property, plant and equipment	3,536	3,458	3,590
Deferred taxation	1,931	1,776	1,931
	10,999	10,808	11,063
Current assets			
Inventories	2,436	5,735	4,709
Trade and other receivables	6,524	7,123	5,443
Cash and cash equivalents	6,322	3,740	5,037
	15,282	16,598	15,189
Total assets	26,281	27,406	26,252
Current liabilities			
Trade and other payables	(6,751)	(6,240)	(5,507)
Borrowings	(203)	(4,736)	(2,394)
Derivative financial liability held at fair value	(40)	—	(106)
Current tax liabilities	(827)	(304)	(657)
	(7,821)	(11,280)	(8,664)
Non current liabilities			
Borrowings	(830)	(1,010)	(797)
Pension schemes' deficits	(2,364)	(2,670)	(2,480)
	(3,194)	(3,680)	(3,277)
Total liabilities	(11,015)	(14,960)	(11,941)
Net assets	15,266	12,446	14,311
Equity			
Share capital	1,503	1,503	1,503
Shares held in treasury	(245)	(247)	(247)
Share premium	294	286	286
Other reserves	3,670	3,657	3,620
Profit and loss account	10,044	7,247	9,149
Total equity	15,266	12,446	14,311

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2020

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2019	1,503	(247)	286	1,036	1,427	530	651	7,222	12,408
Net profit for the period	—	—	—	—	—	—	—	155	155
Retranslation of overseas subsidiaries	—	—	—	—	—	—	13	—	13
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	—	—	—	13	155	168
Share based payments	—	—	—	—	—	—	—	15	15
Dividends paid	—	—	—	—	—	—	—	(145)	(145)
<i>Total transactions with owners</i>	—	—	—	—	—	—	13	25	38
At 30 June 2019	1,503	(247)	286	1,036	1,427	530	664	7,247	12,446
Net profit for the period	—	—	—	—	—	—	—	1,879	1,879
Retranslation of overseas subsidiaries	—	—	—	—	—	—	(37)	—	(37)
Net actuarial loss on pension schemes	—	—	—	—	—	—	—	89	89
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	—	—	—	(37)	1,968	1,931
Share based payments	—	—	—	—	—	—	—	13	13
Dividends paid	—	—	—	—	—	—	—	(79)	(79)
<i>Total transactions with owners</i>	—	—	—	—	—	—	(37)	1,902	1,865
At 1 January 2020	1,503	(247)	286	1,036	1,427	530	627	9,149	14,311
Net profit for the period	—	—	—	—	—	—	—	1,141	1,141
Retranslation of overseas subsidiaries	—	—	—	—	—	—	50	—	50
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	—	—	—	50	1,141	1,191
Share based payments	—	—	—	—	—	—	—	9	9
Exercise of share options	—	2	8	—	—	—	—	—	10
Dividends paid	—	—	—	—	—	—	—	(255)	(255)
<i>Total transactions with owners</i>	—	2	8	—	—	—	—	895	955
At 30 June 2020	1,503	(245)	294	1,036	1,427	530	677	10,044	15,266

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30 June 2020

	At 30 June 2020 <i>Unaudited</i> £'000	At 30 June 2019 <i>Unaudited</i> £'000	At 31 December 2019 <i>Audited</i> £'000
Cash flows from operating activities			
Profit for the period	1,141	155	2,034
<i>Adjustments:</i>			
Depreciation of property, plant and equipment	55	69	203
Amortisation of intangible fixed assets	10	11	45
Loss/(profit) on sale of property, plant and equipment	3	(1)	—
Contributions to defined benefit pension schemes	(218)	(219)	(437)
Finance costs	69	210	497
Tax expense	268	215	473
Share based payments	9	15	28
Net cash flow from operating activities before movements in working capital	1,337	455	2,843
Change in inventories	2,273	(1,485)	(459)
Change in trade and other receivables	(1,081)	(2,726)	(1,046)
Change in trade and other payables	1,244	1,977	991
Cash flows from operations	3,773	(1,779)	2,329
Interest paid	(33)	(96)	(182)
Tax paid	(98)	(54)	(90)
Net cash flow from operating activities	3,642	(1,929)	2,057
Cash flows from investing activities			
Purchase of intangible fixed assets	—	(5)	(7)
Purchase of property, plant and equipment	(22)	(48)	(63)
Sale of property, plant and equipment	18	1	—
Net cash flow from investing activities	(4)	(52)	(70)
Cash flows from financing activities			
Loan repayments	(196)	(203)	(407)
Finance lease repayments	(15)	(12)	115
Movement in invoice financing	(1,947)	1,221	(1,257)
Exercise of share options	10	—	—
Dividends paid	(255)	(145)	(224)
Net cash flow from financing activities	(2,403)	861	(1,773)
Net change in cash and cash equivalents	1,235	(1,120)	214
Cash and cash equivalents at beginning of period	5,037	4,847	4,847
Effect of foreign exchange rate changes	50	13	(24)
Cash and cash equivalents at end of period	6,322	3,740	5,037

NOTES TO THE HALF YEARLY REPORT

1 GENERAL INFORMATION

Tandem Group plc is a public limited company incorporated and domiciled in the United Kingdom with its shares listed on AIM, the market of that name operated by the London Stock Exchange.

The principal activity of the Group is the design, development, distribution and retail of sports, leisure and mobility equipment.

The ultimate parent company of the Group is Tandem Group plc whose principal place of business and registered office address is 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG.

The interim financial statements for the period ended 30 June 2020 (including the comparatives for the period ended 30 June 2019 and the year ended 31 December 2019) were approved by the Board of Directors on 22 September 2020. Under the Security Regulations Act of the European Union ("EU"), amendments to the financial statements are not permitted after they have been approved.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2019, prepared under International Financial Reporting Standards ("IFRS"), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498(3) of the Companies Act 2006. The audit report in relation to the financial statements for the year ended 31 December 2019 includes an emphasis of matter paragraph drawing attention to note 1 which refers to the global Coronavirus pandemic.

This interim financial information has been prepared using the accounting policies set out in the Group's 2019 statutory accounts. Copies of the annual statutory accounts and the interim report may be obtained by writing to the Company Secretary of Tandem Group plc, 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG and can be found on the Company's website at **www.tandemgroup.co.uk**.

The net retirement benefit obligation recognised at 30 June 2020 is based on the actuarial valuation under IAS19 at 31 December 2019 updated for movements in net defined benefit pension income and contributions paid during the half year period. A full valuation for IAS19 financial reporting purposes will be carried out for incorporation in the audited financial statements for the year ending 31 December 2020.

2 EARNINGS PER SHARE

The calculation of earnings per share is based on the net result and ordinary shares in issue during the period as follows:

	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Profit for the period	<u>1,141</u>	<u>155</u>	<u>2,034</u>
	Number	Number	Number
Weighted average shares in issue used for basic earnings per share	5,031,498	5,026,091	5,026,091
Weighted average dilutive shares under option	151,646	92,590	112,889
Average number of shares used for diluted earnings per share	<u>5,183,144</u>	<u>5,118,681</u>	<u>5,138,980</u>
	Pence	Pence	Pence
Basic earnings per share	<u>22.7</u>	<u>3.1</u>	<u>40.5</u>
Diluted earnings per share	<u>22.0</u>	<u>3.0</u>	<u>39.6</u>