

Tandem Group plc

(the "Company" or "Group")

TRADING UPDATE AND NOTICE OF RESULTS

Tandem Group plc (AIM: TND), designers, developers, distributors and retailers of sports, leisure and mobility equipment, announces a trading update ahead of its annual results for the year ended 31 December 2020 which are due to be announced in March 2021.

Trading and operations

As we announced in our interim results on 22 September 2020 revenue in the first half of the year increased by approximately 6% to £16,927,000 (2019 - £16,029,000) due to the strong growth in cycling and sales of outdoor products, partially offset by cautious national retailer FOB (where product is purchased in full containers and shipped direct from the country of origin) wheeled toy buying.

In the second half of the year, as we previously reported, revenue in the Summer period and to the end of Quarter 3 was behind the prior year due to the ongoing cautious national retailer FOB buying. However, Quarter 4 revenue was approximately 6% ahead of the prior year which recovered some of the reduction in Quarter 3. As a result, unaudited Group revenue for the full year was approximately £37.1 million.

Gross profit margins continued to be stronger due to the increased proportion of domestic sales in our wheeled toy business where margin is traditionally higher than from FOB, coupled with higher bicycle, golf and B2C revenues.

Group operating expenses reduced by approximately 11% in the year principally as a result of the COVID-19 impact, with reduced exhibition costs and travel for much of the year.

Group profit before tax is therefore expected to be materially ahead of the prior year. The strong trading performance also enabled cash generation which helped to strengthen the balance sheet position further.

Revenue from domestic toy business was more than 40% ahead of the prior year although this was more than offset by the reduction in FOB revenue. Revenue from most licensed products was behind the prior year, although in many cases domestic revenue was ahead and in the cases of Frozen 2, Peppa Pig, Spiderman and Batman, significantly so.

Despite lower FOB business, domestic sales of Kickmaster football training and Hedstrom outdoor play products continued to perform strongly and were also well ahead of the prior year. Other own brands including Stunted and uMoVe were also up.

It was a fantastic year for our Ben Sayers golf brand. Revenue more than doubled as consumers took advantage of golf courses reopening in May and our quality and value product proposition.

As we reported before, the impact of COVID-19 changed the landscape for cycling. From the second quarter onwards, revenues were at exceptional levels with significant growth at both independent bicycle dealers and also national retailer customers.

Stock availability, although slower than we would have hoped for, improved towards the end of the year to enable a strong finish to 2020 for the cycling businesses.

We have been very excited by the continued growth in our lightweight Squish junior bikes range which has continued to increase market share and was well ahead of the same period in the prior year. In addition, the demand for our flagship Dawes and Claud Butler ranges showed no sign of abatement, supported by Falcon, Boss, Elswick, Townsend and Zombie.

Our ranges of ebikes and escooters continued to grow significantly in Quarter 3 and Quarter 4, utilising our own bicycle brands Dawes and Falcon on ebikes and Li-Fe and Wired for escooters.

Our Expressco Direct group of online businesses significantly increased profitability, with growth from many of our outdoor product ranges including outdoor living, garden storage and outdoor play ahead of the prior year. From Autumn onwards, our ranges of small domestic appliances and household products performed well. As we have stated before, the combination of lockdown and particularly good weather during the spring months had a very positive impact on sales and gross margin.

We are now in the position whereby the investment into and the development of our B2C business is now generating profitability and cash.

Pension scheme and dividend payments

The 2019 Tandem Group Pension Plan triennial valuation has been finalised with the Trustees. This has resulted in a 5% ongoing increase in contributions agreed.

There is a provision that in any calendar year should dividend payments exceed pension deficit contributions, an additional contribution, equal to the excess, will be paid into the scheme. However, the Board's objective to operate a progressive dividend policy and to increase the dividend as trading results and funds permit remains in place.

Appointment of Company Secretary

The Company announces that David Rock has been appointed as Company Secretary from 1 January 2021. David was appointed Group Financial Controller in June 2020 to take over day to day financial responsibilities from Jim Shears, following his appointment as Chief Executive Officer. David is a qualified ACCA accountant with over ten years post qualification experience.

Outlook

We are pleased with the encouraging start to 2021 despite a number of pressures facing the Group. COVID-19 continues to have an impact on the supply chain and on our ability to travel overseas. This affects our capacity to identify and source new products as efficiently. It is also impacting on the exhibition of our products at the various fairs and shows that we would normally attend with both the Hong Kong and London toy fairs cancelled and the Nuremburg fair deferred until Summer.

Lead times, particularly on bicycles, are longer due to global demand for components and we are therefore committing to purchases much further into the future.

The US dollar is currently weaker than previously which is a positive although Far East costs are under great pressure due to material price increases, global demand and the adverse relationship between United States dollar and Chinese renminbi.

One of the most pressing current issues is with respect to freight where, despite having part of our freight requirement at fixed prices, there has not been enough capacity in the system to fulfil demand, coupled with port congestion and COVID-19 related delays. To ensure supply we are currently being quoted many times the rates we were paying in the Autumn of 2020. Whilst we have continued to import products, in some cases we have chosen not to at this time, although it is unclear when freight rates will begin to reduce to allow this to become commercially viable again.

Notwithstanding these issues, revenue to the end of January 2021 was approximately 75% ahead of the same period last year with back orders fulfilled as stock was received. Our forward order book across all parts of the Group is also substantially ahead of last year which is encouraging.

We are in the process of signing a number of additional wheeled toy licences for the second half of 2021 and beyond and we will update shareholders further in due course.

We have expanded our Ben Sayers golf range to cater for a wider range of golfers, including ladies and juniors, and we believe that this strategy will be successful in light of the increased popularity in golf over the last year.

We expect the strong demand for bicycles to continue in the immediate future. There is still growth potential, particularly from Squish, and we remain of the belief that there will be further growth in ebikes and from increasingly fashionable escooters. As a result, we have committed more heavily to stock purchases in these areas for 2021.

In our online businesses, as ever, we continue to focus on existing ranges whilst not losing the ability to be opportunistic and take advantage of new products that we identify.

We have undertaken a full redesign of all our websites with Garden Comforts by Garden & Camping (www.garden-camping.com) and At Home Comforts by Jack Stonehouse (www.jackstonehouse.com) going live before Christmas and the remainder recently or about to go live. Both website visitors and revenues subsequent to re-launch have increased. Our B2C businesses are now in a great position for the next stage of growth.

Notice of results

The Group expects to publish its final results for the year ended 31 December on 25 March 2021.

A final results presentation will be available on the website on 25 March 2021 at www.tandemgroupplc.co.uk/investor-presentations. Investors with questions are asked to email the Company at investorrelations@tandemgroupplc.co.uk.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (MAR) and the Directors of the Company take responsibility for this announcement.

Enquiries:

Tandem Group plc
Jim Shears, Chief Executive Officer
David Rock, Company Secretary
Telephone 0121 748 8075

Nominated Adviser
Cairn Financial Advisers LLP
James Cairthie
Sandy Jamieson
Telephone 020 7213 0880

9 February 2021

Forward-Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.