

Tandem Group plc
(the 'Company' or 'Group')

Interim results for the six months ended 30 June 2022

The Board of Tandem Group plc (AIM: TND), designers, developers, distributors and retailers of sports, leisure and mobility equipment, announces its unaudited interim results for the six months to 30 June 2022.

Summary

- Peter Kimberley appointed as Chief Executive Officer in May 2022
- New warehouse project remains on track to be completed before the year end
- Continued investment in eMobility sector, with successful launch of eMobility website new Electric Life website (www.electricle.com).
- Group revenue in the six months to 30 June 2022 of £12.9 million (H1 2021: £19.3 million)
- Gross profit of £4.4 million (H1 2021: £6.1 million), with an increase in gross margin, to 34.0%, primarily as a result of foreign exchange movements
- Profit before taxation of £0.3 million (H1 2021: £1.9 million)
- Basic earnings per share of 5.8 pence (H1 2021: 31.2 pence per share)
- Maintained proposed interim dividend of 3.43 pence per ordinary share
- Cash and cash equivalents of £3.2 million as at 30 June 2022
- Net debt after borrowings as at 30 June 2022 of £1.5 million
- Despite prevailing economic challenges, there have been encouraging signs, not least from the securing of a significant number of new customer accounts, and recent targeted product promotions have yielded good results.
- As a result of management actions taken, profit after tax for the full year ending 31 December 2022 remains in line with market expectations.

Enquiries:

Tandem Group plc

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CHAIRMAN'S STATEMENT

Results

Group revenue in the six months to 30 June 2022 decreased by approximately 33% to £12.9 million compared to £19.3 million in the six months to 30 June 2021.

There was a 28% decrease in gross profit from £6.1 million to £4.4 million. Gross profit margin increased to 34.0% compared to 31.5% in the prior period primarily as a result of favourable foreign exchange variances.

Operating expenses decreased by 7% from £4.1 million to £3.8 million in the six months to 30 June 2022 due to the active management of costs following the reduced levels of turnover.

As a result of the above, there was a significant decrease in operating profit before exceptional expenses to £0.6 million compared to £2.0 million in the prior year period.

Finance costs were £0.12 million in the six months to 30 June 2022. This compared to a cost of £0.10 million in the prior year period, and is the result of increased borrowing levels to fund the building of the new warehouse.

Exceptional costs were £0.2 million, primarily in relation to redundancies, restructuring and professional costs relating to the consolidation of operations of the Group.

Profit before taxation for the period was £0.3 million compared to £1.9 million last year.

There was no tax charge during the period compared to £0.3 million in the prior period. This reflected the decreased level of profitability and the capital allowances from the new warehouse build.

Net profit for the period to 30 June 2022 was £0.3 million compared to £1.6 million in the six months to 30 June 2021.

Basic earnings per share in the six months to 30 June 2022 was 5.8 pence per share compared to 31.2 pence per share in the prior period.

Net assets at 30 June 2022 increased to £23.0 million against £22.7 million at 31 December 2021.

Cash and cash equivalents were £3.2 million at 30 June 2022 which compared to £5.9 million at 30 June 2021. Higher levels of inventories are the primary reason for the reduction, which have increased to £8.6 million compared to £5.2 million at 30 June 2021 due to the slowdown in sales.

Net debt after borrowings was £1.5 million against a net cash position of £2.1 million at 30 June 2021. The movement was the result of expenditure relating to our new warehouse construction in the period as well as the higher level of stock holding.

Trading update

Peter Kimberley has settled in well as CEO, bringing a new approach and new opportunities as he sets his vision and strategy for the Group.

The Company's Toys, Sports & Leisure division reduced by approximately 6% during the year. This follows the reclassification of character licensed bicycles from the Toys, Sports & Leisure division to the Bicycles division, as announced in our Preliminary Results for the year ended 31 December 2021 ("FY21").

The Bicycles division comprises all bicycle turnover from independent bicycle dealers (IBD), national retailers and online customers for bicycles but excludes electric bicycles.

Both IBD and national retailer sales continued to be challenging, being 55% behind that of the prior period. However, bicycle sales since 30 June 2022 to the end of August 2022 were ahead of

the same period last year. As we reported in our AGM Trading Statement, the Bicycle division benefitted from unprecedented demand created by COVID-19 lockdowns. We continue to target new accounts together with promotions and special offers.

In eMobility, results remained challenging, with turnover in this division down 34% compared to the prior period. We remain confident that eMobility is the division which has the largest potential for the Group, and believe that continued pressures on both fuel prices and climate change will encourage the use of cheaper and cleaner modes of transport in the form of electrically powered alternatives.

We are demonstrating our commitment to this area through the investment in our new on-site retail shop as announced in our AGM Trading Statement, and we have successfully launched our new Electric Life website (www.electriclife.co.uk). We are continuing to invest in new products in this division, as government legislates and invests in alternative transport infrastructure, promoting consumers to adopt electrified means of transport such as e-mopeds, e-bikes and e-scooters. We are well positioned to take advantage of this increased demand.

Our Home & Garden division has also continued to experience a decline and was 55% behind the prior period. The reduction in discretionary consumer spending has hit this division particularly hard.

Outlook

There are a number of key economic factors which are affecting the discretionary spending power of consumers, primarily the cost-of-living crisis. Rising energy and fuel costs, coupled with high inflation and increasing interest rates, are expected to outstrip wage inflation, leaving consumers uncertain. This is clearly impacting all areas of our business, and many other businesses alike.

Despite these challenges, there have been encouraging signs, not least from the securing of a significant number of new customer accounts during the period and since the period end, and recent targeted product promotions have yielded good results.

We continue to expect B2C to be a growth area for the business in the future and therefore we are maintaining our investment in key websites and personnel in this area; who will work across all of the business divisions, and we remain focussed on new product development.

We are seeing higher levels of engagement through our social media channels following the strengthening of the Digital Marketing team, with an organic engagement uplift resulting in an increase of our B2C followers by 8% since mid-July, and our B2B social channel followers by 853% in the last 90 days. This will generate more awareness of the Group's activities.

We have also seen an uplift in efficiency and optimisation, for example our Return on Advertising Spend (ROAS) has improved by 87% across four of our websites, with our Cost per Acquisition decreasing by 35%. We are consolidating our websites to improve our customer experience, which will also deliver operational efficiencies.

In August we saw encouraging levels of participation in our B2C eCommerce site www.electriclife.co.uk, which has contributed to revenue; with further developments planned for the coming months.

Whilst rental scooters continue to be a success in many UK cities and towns, the UK government is still working through fully legalising the use of privately owned e-scooters.

Group revenue for the 8 months to 31 August 2022 was approximately £18.0 million compared to £27.6 million for same period in the prior year. Although this is a reduction of 35%, at the end of April turnover was 43% behind that of the prior period, so we are encouraged that the decline has been slowed. We continue to target full year profit after tax of £0.9 million.

The outlook for the remainder of 2022 remains uncertain, however, the Board are working to navigate the Group through these challenging times, and we remain confident that the Group will emerge in a good position through strong leadership, tight controls on costs, and being well positioned to drive growth, particularly through our offering of more affordable means of travel.

Dividend

Due to the performance in the first half of the year, we are declaring an interim dividend at the same level to that of the prior period, 3.43p per share (2021 – 3.43p per share) payable on or about 15 November 2022. We will continue to review our dividend strategy and pay a progressive dividend where profits permit. The ex-dividend date will be 6 October 2022 and the record date will be 7 October 2022.

Property update

We are pleased to report that the new warehouse project remains on track to be completed before the year end, having only suffered minor delays due to material shortages. The new warehouse will centralise our operations leading to a significant reduction in our overheads, providing the Group with additional capacity, and enhancing operational efficiencies and improving customer service.

We are further happy to report that formal planning permission has been received on our new retail shop which will be located at our Castle Bromwich premises. Work is due to begin shortly on the shop fit; and completion is expected during quarter four. The retail shop will showcase the largest range of electric powered mobility and leisure products in the UK, such as e-scooters, e-bikes, e-motorbikes, electric golf trolleys and more.

We plan to have our commercial properties revalued prior to the year end, where we expect to see an uplift in value.

Investor presentation

The interim results presentation for investors will be posted on the Company's website in due course. 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.

Steve Grant
Chairman
15 September 2022

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 June 2022

	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 <i>Unaudited</i> £'000	Year ended 31 December 2021 <i>Audited</i> £'000
Revenue	12,913	19,262	40,917
Cost of sales	(8,527)	(13,196)	(28,866)
Gross profit	4,386	6,066	12,051
Operating expenses	(3,792)	(4,063)	(7,112)
Operating profit before exceptional costs	594	2,003	4,939
Exceptional costs	(172)	-	-
Operating profit after exceptional costs	422	2,003	4,939
Finance costs	(115)	(96)	(207)
Profit before taxation	307	1,907	4,732
Tax expense	-	(305)	(906)
Net profit for the period	307	1,602	3,826
	Pence	Pence	Pence
Earnings per share			
Basic	2 5.8	31.2	73.8
Diluted	2 5.6	29.6	70.1

All figures relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2022

	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Profit for the period	307	1,602	3,826
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit and loss:</i>			
Foreign exchange differences on translation of overseas subsidiaries	23	(11)	6
Forward foreign exchange contracts	261	78	236
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial gain on pension schemes	—	—	1,648
Movement in pension schemes' deferred tax provision	—	—	248
Other comprehensive income for the period	284	67	2,138
Total comprehensive income attributable to equity shareholders of Tandem Group plc	591	1,669	5,964

All figures relate to continuing operations.

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2022

	At 30 June 2022 Unaudited £'000	At 30 June 2021 <i>Unaudited</i> £'000	At 31 December 2021 <i>Audited</i> £'000
Non current assets			
Intangible fixed assets	5,454	5,483	5,454
Property, plant and equipment	10,003	7,717	7,775
Deferred taxation	1,323	1,761	1,323
	16,780	14,961	14,552
Current assets			
Inventories	8,577	5,244	8,064
Trade and other receivables	6,065	8,533	10,243
Derivative financial asset held at fair value	319	36	225
Cash and cash equivalents	3,229	5,850	6,367
	18,190	19,663	24,899
Total assets	34,970	34,624	39,451
Current liabilities			
Trade and other payables	(5,050)	(8,039)	(10,333)
Borrowings	(897)	(1,634)	(2,010)
Current tax liabilities	(201)	(306)	(252)
	(6,148)	(9,979)	(12,595)
Non current liabilities			
Borrowings	(3,867)	(2,072)	(2,031)
Pension schemes' deficits	(1,920)	(4,005)	(2,086)
	(5,787)	(6,077)	(4,117)
Total liabilities	(11,935)	(16,056)	(16,712)
Net assets	23,035	18,568	22,739
Equity			
Share capital	1,503	1,503	1,503
Shares held in treasury	(151)	(192)	(192)
Share premium	647	466	474
Other reserves	5,080	4,758	4,964
Profit and loss account	15,956	12,033	15,990
Total equity	23,035	18,568	22,739

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2022

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Cash flow hedge reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2021	1,503	(240)	315	(410)	1,036	1,427	1,671	599	10,707	16,608
Net profit for the period	—	—	—	—	—	—	—	—	1,602	1,602
Retranslation of overseas subsidiaries	—	—	—	—	—	—	—	(11)	—	(11)
Forward contracts	—	—	—	78	—	—	—	—	—	78
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	78	—	—	—	(11)	1,602	1,669
Share based payments	—	—	—	—	—	—	—	—	15	15
Exercise of share options	—	48	151	—	—	—	—	—	—	199
Reclassified to cost of inventory	—	—	—	368	—	—	—	—	—	368
Dividends paid	—	—	—	—	—	—	—	—	(291)	(291)
<i>Total transactions with owners</i>	—	48	151	368	—	—	—	—	(276)	291
At 30 June 2021	1,503	(192)	466	36	1,036	1,427	1,671	588	12,033	18,568
Net profit for the period	—	—	—	—	—	—	—	—	2,224	2,224
Retranslation of overseas subsidiaries	—	—	—	—	—	—	—	17	—	17
Forward contracts	—	—	—	158	—	—	—	—	—	158
Net actuarial gain on pension schemes	—	—	—	—	—	—	—	—	1,896	1,896
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	158	—	—	—	17	4,120	4,295
Share based payments	—	—	—	—	—	—	—	—	18	18
Exercise of share options	—	—	8	—	—	—	—	—	—	8
Reclassified to cost of inventory	—	—	—	31	—	—	—	—	—	31
Dividends paid	—	—	—	—	—	—	—	—	(181)	(181)
<i>Total transactions with owners</i>	—	—	8	31	—	—	—	—	(163)	(124)
At 1 January 2022	1,503	(192)	474	225	1,036	1,427	1,671	605	15,990	22,739
Net profit for the period	—	—	—	—	—	—	—	—	307	307
Retranslation of overseas subsidiaries	—	—	—	—	—	—	—	23	—	23
Forward contracts	—	—	—	261	—	—	—	—	—	261
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	261	—	—	—	23	307	591
Share based payments	—	—	—	—	—	—	—	—	13	13
Exercise of share options	—	41	173	—	—	—	—	—	—	214
Reclassified to cost of inventory	—	—	—	(168)	—	—	—	—	—	(168)
Dividends paid	—	—	—	—	—	—	—	—	(354)	(354)
<i>Total transactions with owners</i>	—	41	173	(168)	—	—	—	—	(341)	(295)
At 30 June 2022	1,503	(151)	647	318	1,036	1,427	1,671	628	15,956	23,035

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30 June 2022

	At 30 June 2022 <i>Unaudited</i> £'000	At 30 June 2021 <i>Unaudited</i> £'000	At 31 December 2021 <i>Audited</i> £'000
Cash flows from operating activities			
Profit for the period	307	1,602	3,826
<i>Adjustments:</i>			
Depreciation of property, plant and equipment	78	65	230
Amortisation of intangible fixed assets	—	1	30
Contributions to defined benefit pension schemes	(225)	(218)	(550)
Finance costs	115	96	207
Tax expense	-	305	906
Share based payments	13	15	33
Net cash flow from operating activities before movements in working capital	288	1,866	4,682
Change in inventories	(513)	(732)	(3,552)
Change in trade and other receivables	4,178	1,438	(272)
Change in trade and other payables	(5,283)	(913)	1,381
Cash flows from operations	(1,330)	1,659	2,239
Interest paid	(57)	(28)	(80)
Tax paid	(51)	—	31
Net cash flow from operating activities	(1,438)	1,631	2,190
Cash flows from investing activities			
Purchase of intangible fixed assets	-	(3)	(3)
Purchase of property, plant and equipment	(2,307)	(3,158)	(3,386)
Sale of property, plant and equipment	—	—	5
Net cash flow from investing activities	(2,307)	(3,161)	(3,384)
Cash flows from financing activities			
New loans	2,075	1,425	1,550
Loan repayments	(70)	(44)	(87)
Finance lease repayments	(37)	(65)	(199)
Movement in invoice financing	(1,244)	93	480
Exercise of share options	214	197	207
Dividends paid	(354)	(291)	(472)
Net cash flow from financing activities	584	1,315	1,479
Net change in cash and cash equivalents	(3,161)	(215)	285
Cash and cash equivalents at beginning of period	6,367	6,076	6,076
Effect of foreign exchange rate changes	23	(11)	6
Cash and cash equivalents at end of period	3,229	5,850	6,367

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 2022 (including the comparatives for the period ended 30 June 2021 and the year ended 31 December 2021) were approved by the Board of Directors on 15 September 2022.

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 2021, 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.

This interim financial information has been prepared using the accounting policies set out in the Group's 2021 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 2022 is based on the actuarial valuation under IAS19 at 31 December 2021 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 2022.

Exceptional costs include redundancy, termination and professional costs relating to the consolidation of operations of the Group.

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 2022 £'000	6 months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Profit for the period	<u>307</u>	<u>1,602</u>	<u>3,826</u>
	Number	Number	Number
Weighted average shares in issue used for basic earnings per share	5,323,089	5,133,189	5,187,776
Weighted average dilutive shares under option	160,461	272,778	267,988
Average number of shares used for diluted earnings per share	<u>5,483,550</u>	<u>5,405,967</u>	<u>5,455,764</u>
	Pence	Pence	Pence
Basic earnings per share	<u>5.8</u>	<u>31.2</u>	<u>73.8</u>
Diluted earnings per share	<u>5.6</u>	<u>29.6</u>	<u>70.1</u>

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (as amended), which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018. Upon publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

Forward Looking Statements

This announcement contains forward-looking statements relating to expected or anticipated future events and anticipated results that are forward-looking in nature and, as a result, are subject to certain risks and uncertainties, such as general economic, market and business conditions, competition for qualified staff, the regulatory process and actions, technical issues, new legislation, uncertainties resulting from potential delays or changes in plans, uncertainties resulting from working in a new political jurisdiction, uncertainties regarding the results of exploration, uncertainties regarding the timing and granting of prospecting rights, uncertainties regarding the Company's or any third party's ability to execute and implement future plans, and the occurrence of unexpected events. Actual results achieved may vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors.