

Tandem Group plc

(the "Company" or "Group")

TRADING UPDATE AND BOARD CHANGES

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 2019 which are due to be announced in March 2020.

Trading and operations

As we reported in our interim results announcement, revenue in the first half of the year increased by approximately 27% as a result of strong performances from both licensed and own brand properties.

Although the rate of growth in the second half of 2019 did not match the exceptional levels achieved in the first half it was nevertheless close to 15% ahead of the same period in the prior year. The sustained periods of wet weather across many parts of the country in the late Autumn period and macro uncertainties hindered the excellent progress earlier in the year.

However, overall it was a strong year for the Group. Despite a third year in a row of decline in the toy industry with reported outdoor toy sales declining by almost 10%, Group revenue for the full year ended 31 December 2019 increased by nearly 20% to £38.8 million. Group profit before tax is expected to be well ahead of the prior year.

Revenue from the toys business was considerably ahead of the prior year. In licensed wheeled toy categories, L.O.L Surprise! delivered another excellent result. The impact of the new Disney contract was also significant with Frozen II, Spider-Man, Disney Princess and Toy Story all making important contributions. In other licences, Peppa Pig, Paw Patrol and Batman remained strong.

In own brand portfolios, we continued to develop our U-Move scooter range which delivered revenue growth of 85%. Ben Sayers finished the year over 20% ahead of the prior year which was encouraging. Most other brands including Hedstrom, Wired, Kickmaster and Stunted were in line or slightly ahead of the prior year.

Feedback from this year's London Toy Fair to the new MV Sports & Leisure ranges, where we showcased all of our products for 2020 and a new range of lithium electric scooters, was excellent.

Overall total revenue from the bicycle businesses was down in 2019 compared to 2018. However, revenue from our Squish bicycle range sold to independent bicycle dealers grew by 33% in the year.

Claud Butler revenue was similar to the prior year although Dawes was behind. There was partly a substitution effect of consumers switching from traditional Dawes kids bikes to lightweight Squish but this was at a higher average selling price.

It was a more challenging year for our corporate bicycles range which, although positively contributed to profitability, was behind the prior year.

Despite a strong first quarter, revenue in our direct to consumer business, Expressco Direct, was slightly behind the previous year. A combination of garden and outdoor leisure products performing behind expectation and the increasingly competitive online retail environment which impacted on margins and slowed down the previous progress that had been made.

Notwithstanding this, there was significant growth in mobility and home electrical products and the successful introduction of a Christmas range.

Group operating expenses increased by approximately 11% in the year as a result of the growth in revenue and increased marketing costs in relation to new licences. Efforts continued to be made to streamline operating costs where possible.

As a result of the strong trading performance it was a year of further cash generation which helped to strengthen the balance sheet position further.

Pension scheme and dividend payments

We are aware of recent comments with regards to dividend payments made by the Company and deficit contributions to the Tandem Group Pension Plan. For clarity, following the 2016 triennial valuation, the recovery plan signed by the Trustees and the Company and agreed with The Pensions Regulator included a provision that in any calendar year dividend payments would not exceed deficit contributions.

As previously stated, it remains the Board's objective to operate a progressive dividend policy and to increase the dividend as trading results and funds permit. Negotiations of the 2019 triennial valuation recovery plan between the Trustees and the Company are at an early stage. Initial recovery plan illustrations indicate that given, in particular, the mortality experience in the scheme, additional deficit contributions may be required. The Board will continue to update shareholders as the situation develops.

Outlook

2020 has started more slowly for the Group. Although we sold to National retailers strongly in 2019, we are aware that some of our major customers have carried stock forward into this year which will impact on their ability to re-buy.

We are, however, confident that we have secured all of the major wheeled toy licences and have identified new product opportunities with own brands which we continue to develop.

We expect to continue the growth of our Squish lightweight children's bicycles range as we look to take greater market share.

In our online business 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 remain very aware of the ongoing channel shift to online sales.

The Coronavirus outbreak in the Far East appears to be a significant threat. A number of factories have not returned to work after Chinese New Year. The restriction on travel imposed by the Chinese authorities is hindering the movement of raw materials and labour throughout China. This has already delayed the production of orders and made it difficult for our QA/QC inspections to take place. Further, the welfare of our staff is paramount and we will not put them at undue risk of infection until we have greater clarity of the situation.

Board changes

The Company today announces that, following a long and successful career with the Group, Mervyn Keene has notified the Board of his intention to retire as Non-Executive Chairman and step down as a Director with effect from 31 July 2020.

After 30 years with the business, Steve Grant has also informed the Board of his intention to step down from his role as CEO. Steve has indicated his desire to remain with the Group and accordingly will take up the position of Non-Executive Chairman from 1 August 2020.

Although the Board are fully aware of corporate governance best practice, the Board believe that Steve will exercise independent and diligent oversight over the Company coupled with robust support from the other two independent non-executive directors. It is the Board's view that maintaining both continuity and the wealth of industry specific knowledge and experience that Steve has will be a great asset to the Company.

Jim Shears, currently Group Finance Director, will take up the position of Chief Executive Officer at the same time. As a result, we plan to recruit additional resource in the finance department.

Jim will also become Joint Managing Director of the Company's trading subsidiary MV Sports & Leisure Limited with Group Commercial Director, Phil Ratcliffe, who will also retain his sales and marketing responsibilities for the business.

Commenting on his plans, Chairman Mervyn Keene stated "I have decided to stand down as Chairman of the Group.

I would like to thank our customers, suppliers and most importantly our wonderful staff for their support during my tenure. The Group has outperformed many of its peers as a result of our dedicated and experienced team. It is essential to the future of the Group that these employees are retained and sufficiently rewarded and motivated to deal with the many issues that we are facing.

When I was appointed Non-Executive Chairman the share price was 110.5p. Today as I announce my intention to step down the price is 205p per share. Despite this, it is disappointing that internet posters, who often hide behind absurd pseudonyms, continue to type inaccurate statements and offensive remarks. There are an irritating few of these keyboard warriors who have no commercial experience but think that they could run the Group better.

Our industry, like others, can be volatile with no guarantee of year to year growth. As I said earlier the biggest asset that the shareholders have is our people. They are highly respected by our customers and suppliers and as such are critical to the health and stability of the business going forward.

Steve Grant will take over from me and Jim Shears from him. This will give us perfect continuity. Steve has indicated that he wants to step down as CEO but fortunately has agreed to stay on as Non-Executive Chairman. In my opinion this is perfect and far better than him being a consultant.

Following these changes, I know that the future will be in safe hands.

As I move on to other opportunities I know that, providing shareholders understand that we have a great team running the business and let them get on with it, all will benefit."

Steve Grant said "I am stepping down with the Company in great shape for the future. The balance sheet is strengthening every year and I leave a great team of dedicated, loyal and talented employees who are very capable of taking the business forward over the coming years."

Jim Shears commented "I am delighted to accept the role of Chief Executive Officer at an exciting time in the Company's development. We have an excellent team of skilled and committed employees and some great brands. I am thrilled to be leading the next stage of the Company's journey."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (MAR).

Enquiries:

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

Nominated Adviser
Cairn Financial Advisers LLP
Tony Rawlinson
James Caithie
Telephone 020 7213 0880

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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.