

# **Tandem Group plc**

(the "Company")

## **TRADING UPDATE**

Tandem Group plc (AIM: TND), designers, developers and distributors of sports and leisure equipment, announces a pre-close trading update ahead of its annual results for the 11 month period ended 31 December 2011 which are due to be announced in April 2012.

As announced on 30 November 2011, the Company's accounting reference date was changed from 31 January to 31 December to better align the reporting period to the operations of the businesses.

### **Trading update**

In the Half Yearly Report we stated that the first half of the year had been one of great economic uncertainty and intense competition in our market. This trend has continued throughout the 5 month period to 31 December 2011.

For the 11 month period ended 31 December 2011 turnover was around 10% lower than the same period in the prior year at approximately £29 million.

Following an encouraging start to the year, performance from our bicycle businesses in the second half of the period was behind last year. Although turnover was similar to last year, strong retail pressure and heavy discounting in the high street resulted in a reduced margin during the Christmas trading period. Nevertheless, our strategy to uphold brand values and deliver quality, value and excellent customer service has enabled profit for the bicycle businesses for the full 11 month period to 31 December 2011 to be significantly ahead of the comparative period.

Revenue from our sports, leisure and toys business remained lower than last year with a number of national retailer customers continuing to exhibit a cautious buying strategy and report weak financial performance. Whilst Ben 10 remained our strongest licence, revenue was behind the exceptionally high levels of previous years. As a result, profitability for the sports, leisure and toys business was significantly behind the same period last year.

We reported in February 2011 that post-Christmas trading had been encouraging. We are pleased to report that trading in January 2012 has also been strong with bicycles and accessories and sports, leisure and toys ahead of January 2011 by approximately 8% and 9% respectively.

Reaction to the 2012 bicycle and accessories ranges following the annual bicycle trade shows has been favourable and the London Toy Fair exhibition held in January, where our 2012 leisure and toy ranges were showcased, was a great success.

### **Outlook**

We expect that 2012 will be another challenging year with further input cost pressures, high levels of macroeconomic volatility and a tough retail environment.

In our cycles businesses we expect the intensive product design and development undertaken for our 2012 bicycle ranges will further enhance both our flagship Claud Butler and Dawes brands and also our other popular brands including Falcon, Townsend, Scorpion and Dirty.

We have extended our Claud Butler and Dawes branded bicycle parts and accessories ranges which we expect to make a valuable contribution this year.

In our sports, leisure and toys business, the initial reactions to our new licences including Peppa Pig, Octonauts and Mike The Knight have been positive and we also expect Thundercats and our well established licences, including Ben 10, Fireman Sam and Thomas & Friends, to perform well in 2012.

As the official licensee of 2012 Olympic bicycles, bicycle accessories and wheeled toy products, we remain cautiously optimistic about sales performance during what is expected to be one of the greatest ever national events.

Our new generic brands, Stunted and Ready, Steady, Ride, are aimed at the value end of the market and will provide greater choice to the consumer as disposable incomes are squeezed.

The order book for Ben Sayers golf is encouraging and we are delighted to have recently signed an exclusive UK agreement with Bioflow Limited to distribute magnotherapy sports bands endorsed by Lee Westwood. This addition to our golf portfolio should lead to increased revenues and help to raise the growing profile of the Ben Sayers brand.

Enquiries:

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