

CADENCE

Business Plan November 2015



THE VISION

MORE THAN A CLUB, MORE THAN A BIKE SHOP



- Destination cycling hub for the enthusiast and fitness road cyclist, evolving to being synonymous with the golf/gym membership business model
- The ultimate aim is a national/international network of destination cycling hubs delivering the first commercially-run road cycling club
- Services delivered on-site and remotely (such as coaching) using internally developed intellectual property e.g. Pedalfit
- 17 potential UK/Ireland catchments identified. Possibilities for international opportunities through franchise roll-out
- EIS-qualifying business with attractive exit options within 5 years to cycle trade, fitness club operator or private equity





CYCLE RETAIL IS CHANGING

A CONVENTIONAL CYCLE STORE:

- Sell Bikes and Components
 - Service Bikes
-

CADENCE PROVIDES THE ABOVE, PLUS....:

- Bike Fitting Services-onsite, offsite and online
- Saddle testing, custom footbeds
- Treatment Programmes – cycling specific physio & massage
- Coaching Programmes – training programmes delivered remotely
- Physiological Testing – lactate threshold testing, power testing, VO² Max test
- Indoor training facilities – cycling and exercise classes - the bad weather 'fix'
- A Social Hub – café, talks, seminars
- Organised Events
 - Customer ride-outs, 'Day with a pro'
 - Corporate events, including pro race visits and corporate race days

THE MARKET & TRENDS

ROAD CYCLING - THE WORLD'S FASTEST GROWING SPORT



- 13m cyclists in the UK with 2.1m cycling more than once per week – now the UK's third most popular participation sport after swimming and athletics*
- Cadence's target market are the 550,000 Frequent Enthusiast riders plus the 1.2m Sport riders in the UK**
- Affluent, high spenders on their “passion”. Average spend to get ‘on the road’ of £2,495**
- Frequent Enthusiasts are poorly served
 - Only 10% are members of cycling clubs***
 - Few places to convene and access services
 - Limited options to get expert advice on fitness, technique, online coaching and technical advice

*Active People Survey: Sport England 2014-15

**The British Cycling Economy: London School of Economics 2011

***Cadence Customer Survey





THE MARKET & TRENDS

HIGH GROWTH MARKET WITH LIMITED SERVICE OPTIONS

- **Traditional Bike Shops**

Challenged by discount internet retailers, limited service offerings – focus on products

- **Cycle Clubs**

Underfunded & limited facilities, can be seen as elitist & intimidating by new cyclists, few with a physical location

- **Gyms**

Cyclists not well served by traditional gyms and fitness clubs – poor advice/equipment

- **Indoor cycling centres/spin studios**

Significant growth

Road cyclists use indoor cycling but require better support/advice

- **Huge global interest in cycling**

Growth in the sport globally with significant broadcast media coverage

Mass participation events – Prudential Ride London, Cape Argus

Advances in accessibility and affordability of trickle-down pro-level cycling technology

Constant technology refresh drives new sales and education

Increased awareness of new advances in scientific training techniques

THE CADENCE CUSTOMER

WE TARGET THE HIGH SPENDING AND LOYAL
'FREQUENT ENTHUSIAST'



- **Typical club/sportive rider from beginners to elite riders**
- **The current Cadence customer*:**
 - 79% aged 36 -55, 59% own 2 or more bikes
 - 68% spent £1000-£5000 on their bikes
 - 80% live within 7 miles of Cadence
 - We estimate catchment to be 23,000 sportive riders and 800 racing cyclists
 - Anerley Hill – 3000 unique riders according to Strava Heat Map

- **The Frequent Enthusiast**

Expensive bike, keen to get more from their cycling experience,
Purchase multiple services

Interested in technology, bike gear and latest trends in training techniques

Examples - existing Cadence customers

- **'James' – Aged 31, Marketing Manager**

Purchased bike-fitting (£150), major bike services (£450), Nutrition and shop purchases £180, Fitness test £150, regular visitor to café

- **'Chris' –retired and recently taken up cycling**

Signed for membership plan £99 per month

Purchased his first road bike (£1000), kit (£400) and bike fit £150

Regular in café and other services £25/week

*Cadence Customer Survey



WORKSHOP

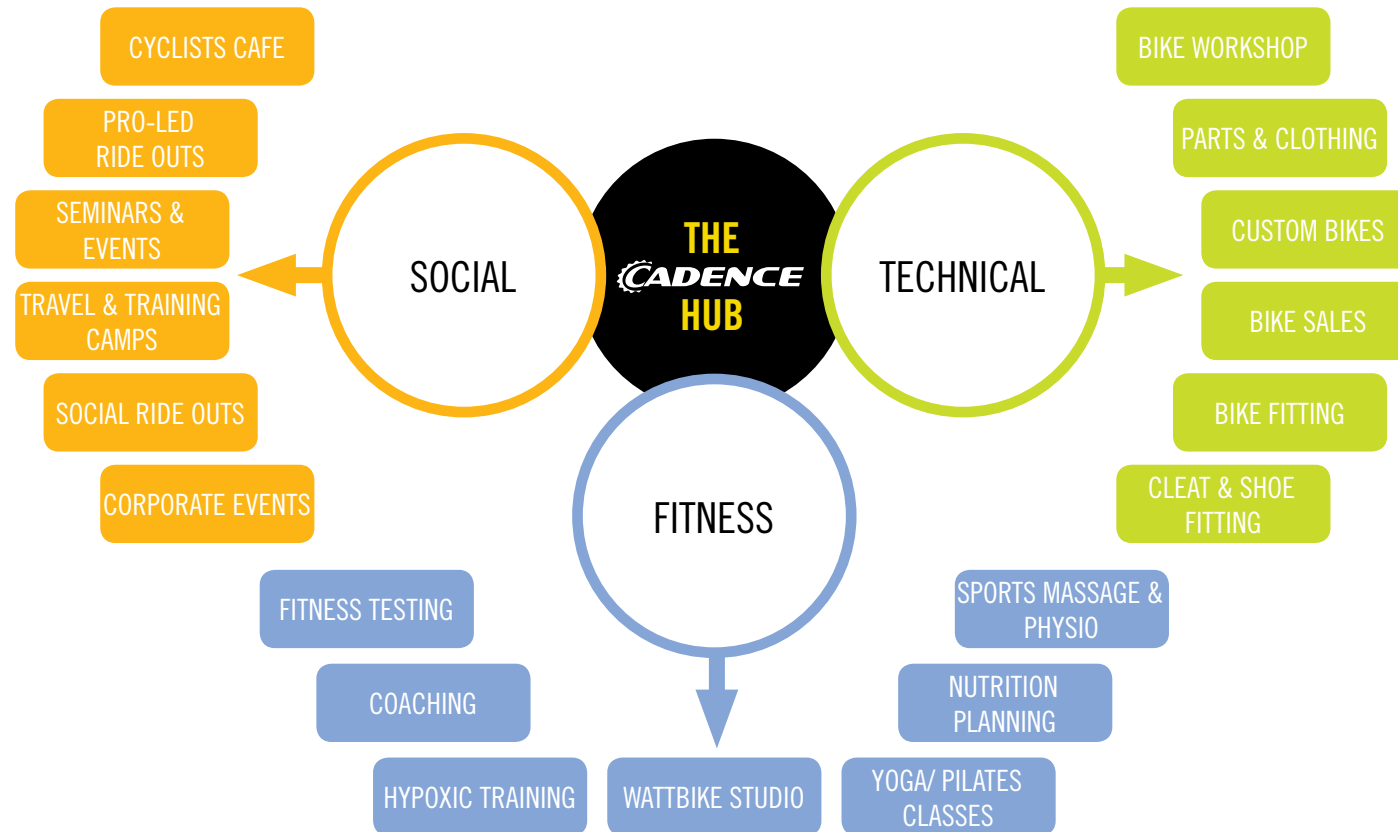
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THE CADENCE PROPOSITION

HIGH MARGIN, PRODUCTISED SERVICE OFFERING WITH POTENTIAL FOR RECURRING REVENUES

Helping the Enthusiast develop the mind, body and machine of a road cyclist.



These transaction points can be monetised on an ad-hoc basis for the casual cyclist or rolled into a subscription model for a holistic support package

THE CADENCE PROPOSITION

RECURRING REVENUE MEMBERSHIP PLANS



PLAN	PELTON PLAN	WHITE JERSEY PLAN	GREEN JERSEY PLAN	YELLOW JERSEY PLAN	YOGA/PILATES	WATTBIKE	COACHING
Monthly Fee	£10/MTH	£29/MTH	£59/MTH	£99/MTH	£35/MTH	£35/MTH	£30-£150/MTH
Cadence Club Jersey	•	•	•	•			
Shop & Café Discounts	•	•	•	•			
Saturday Rides	•	•	•	•			
Free Cadence Event entry	•	•	•	•			
Major Bike Service		•	•	•			
General Service		•	•	•			
Intermediate bike fettling		•	•	•			
Unlimited Wattbike Use			•	•		•	
Turbo Trainer Use			•	•			
Unlimited Yoga			•	•	•		
Unlimited Pilates			•	•	•		
Bike Fitting			•	•			
Bike fit follow up			•	•			
Pedal Stroke Analysis			•	•			
Critical Power Profile test				•			
Wingate Tests				•			
Lactate Threshold Fitness Tests				•			•
Hypoxic Training				•			
Custom Coaching Plan				•			•

- Productised services can be purchased as stand alone subscriptions or configured into membership plans
- Members pay by monthly direct debit
- Jersey plan members sign for a minimum of one year
- Wattbike and Yoga/Pilates monthly rolling contracts
- Upgrade potential Peloton/White jersey plan upgrade to Green/Yellow plans
- 14% of our revenue YTD 2015 is subscriptions from members
- 221 members with 80% growth

THE CADENCE PROPOSITION

- **Cadence is a Giant Brand store**

One of 22 brand stores in the British Isles

Special terms on both Giant and Liv ranges

Higher profit margin

Bike stock on consignment – bikes are paid for at end of month following the sale

Overnight autoreplenish of bikes and components – direct connection to Giant warehouse

- **Comprehensive range of bike Workshop services**

Offer range of bike service packages ranging from £75 to £150

Operates 7 days per week and until 9pm on weekdays

Maintenance classes and instruction



BIKE SALES AND WORKSHOP REVENUE



THE CADENCE PROPOSITION

BIKE FITTING AND POSITION OPTIMISATION



- **Bike fitting**

Offer Retul, dynamic and optimum fitting options - £100 to £350 per fit plus ancillary sales

3 fitters with 2 fitting rooms operating 7 days per week

Up to 150 fits per month during peak season
- **Saddle testing fitting**

Use pressure mapping to identify optimum saddle type

Test and trial before customer saddle purchase
- **Cleat Fitting**

Ensures optimum setting of shoes and cleats
- **Custom Insoles**

Custom insoles from Sidas, Fizik, G8

Prices from £100
- **Pedal Stroke Analysis**

Uses video capture to review customer pedal stroke

Review and recommend corrections to improve pedalling efficiency

THE CADENCE PROPOSITION

FITNESS TESTING, WATTBIKES AND YOGA/PILATES

- **Fitness & Coaching services**

Includes Lactate threshold, Max Heart rate test, Maximal Power test, $\dot{V}O_2$ Test and Critical Power Profile

Prices from £100 – a ‘one-off’ or provided as part of a coaching plan

- **Coaching Plans**

Starts with initial assessment

Plan defined based on objectives, riders availability and fitness levels

- **Wattbike**

16 bike studio, classes every day with extra classes for mums & babies and ‘Silverfit’

£10 per class on a one off basis or accessed using a membership plan

Over 1000 riders per month use the studio

- **Yoga & Pilates**

Classes every day

£10 per class on a one off or accessed using a membership plan



THE STORY SO FAR

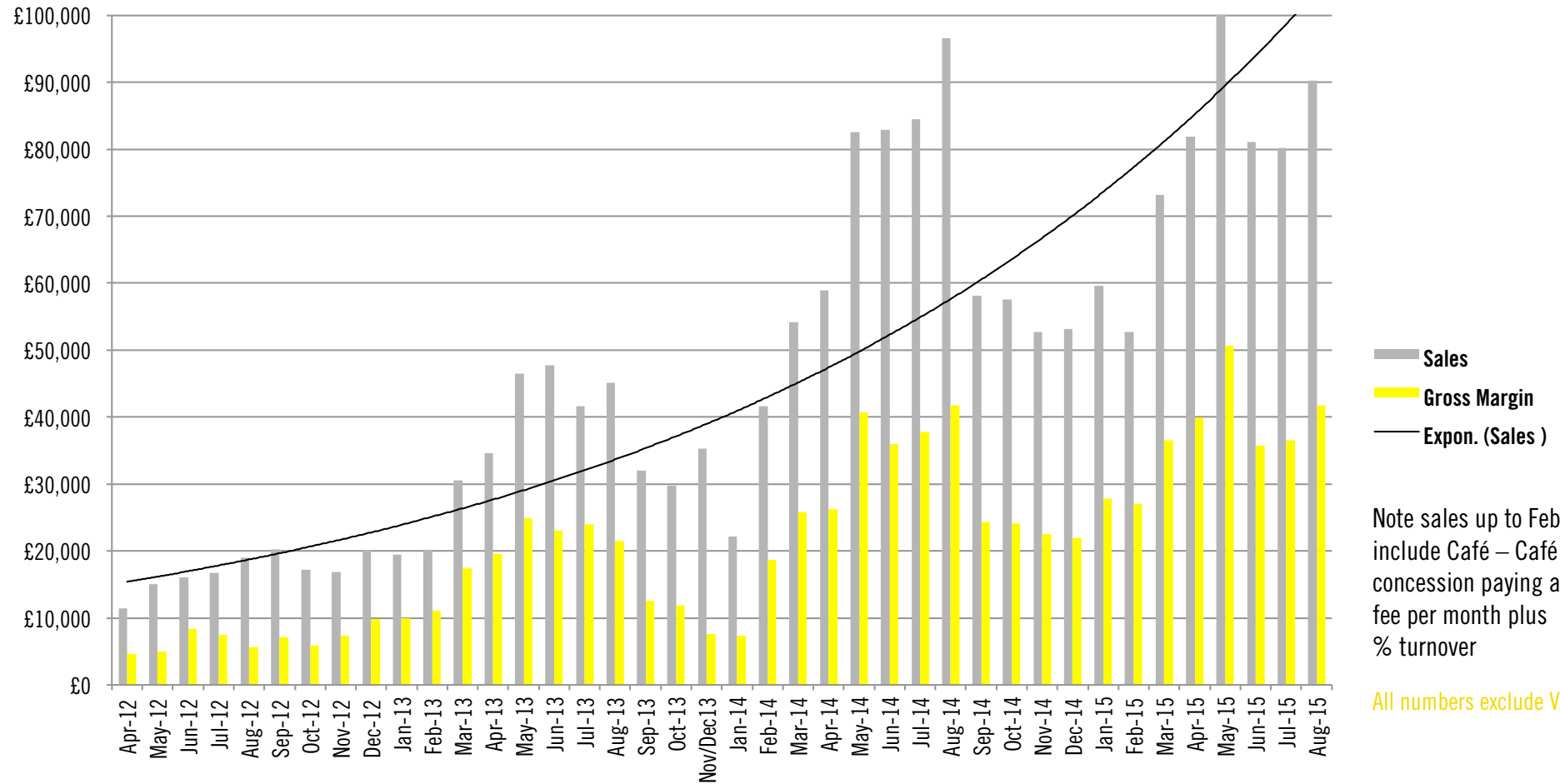
POP-UP SITE TO FULL ROLL-OUT

- **Established existing site as 'Pop-Up' opened in former car showroom end March 2012**
 - Focused on definition & testing productised service offerings
 - Now converted to 10 year lease
 - Refurbished building in Dec 2013-Jan 2014, reopened March 2014
 - Revamped retail, café, bike fit rooms and workshop
 - Introduced Giant road performance store concept
 - Installed Wattbike studio, Pilates/Yoga room & fitness testing room
- **Consistent revenue & footfall growth**
 - 45%+ Gross Profit with 80-100% year on year growth in revenue
- **Traction in local catchment and credibility in the industry**
 - Established as thought leaders - regular features in trade publications, used as the studio location for the 2014 series of ITV's The Cycle Show
- **Operational model further defined & new catchments identified**



THE STORY SO FAR

STRONG YEAR ON YEAR SALES GROWTH PERFORMANCE



THE STORY SO FAR

ACHIEVED BREAK-EVEN FIRST HALF 2015



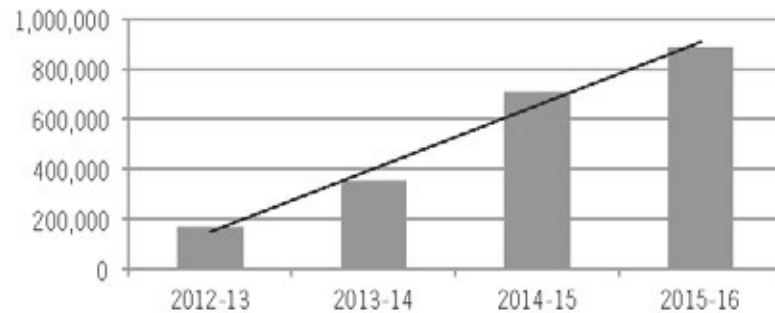
	2012 - 13 FY ACTUAL	2013 - 2014 FY ACTUAL	2014 - 15 FY ACTUAL	2015 - 16 HY ACTUAL TO END AUGUST	2015 - 16 FY PROJECTED
SALES (EX VAT)	188,390	£401,365	£792,078	£519,488	£940,917
EBITDA (EXCL HEAD OFFICE)	(£183,894)	(£273,819)	(£91,996)	£49,183	£66,622
HEAD OFFICE	£-	£24,021	£95,194	£32,530	£65,060
EBITDA (INCL HEAD OFFICE)	(£183,894)	(£297,840)	(£187,190)	£16,653	£1562
% GROSS PROFIT	38%	41%	45%	45%	46%

THE STORY SO FAR

LESSONS LEARNED IN 'POP UP' PHASE BEING USED TO GAIN RAPID TRACTION

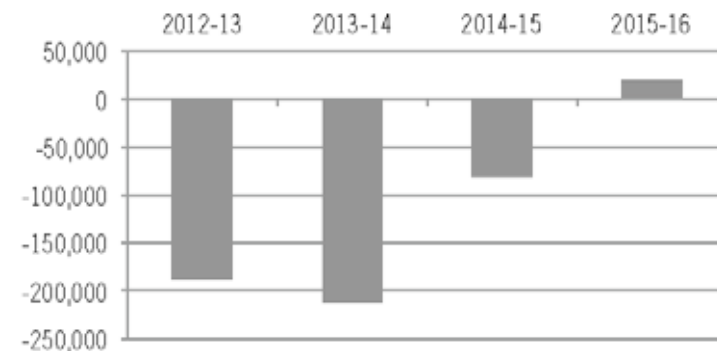
- Now at break-even at Crystal Palace site
- Monthly footfall increased from less than 500 in April 2012 to 2,046 in May 2015
- Undertake 90-100+ bike fits per month, 150 in peak months: one of the busiest bike fitting centres in the UK
- 221 monthly subscribers to services, average subscription £56pm
- Café moved to concession since March 2015

TOTAL SALES BY YEAR
(EXCLUDING CAFÉ)



All numbers exclude VAT

EBITDA
(EXCLUDING HEAD OFFICE COSTS)



FUNDING REQUIREMENTS

THE BUSINESS SEEKS TO AT LEAST £300,000 IN THIS CROWDFUND ROUND TO ACCELERATE GROWTH

PROJECTIONS

	2015/16 PROJECTED	2016/17 PROJECTED	2017/18 PROJECTED	2018/19 PROJECTED	2019/20 PROJECTED
SALES	£940,917	£1,718,190	£3,106,657	£4,425,664	£5,232,931
EBITDA	£2,832	£29,127	£300,953	£720,127	£1,036,727
NET PROFIT	£(44,877)	£(62,655)**	£170,981	£654,414	£866,256

PROJECTIONS

CRYSTAL PALACE EXISTING SITE (INCLUDED IN THE ABOVE PROJECTIONS)

	2015/16 PROJECTED	2016/17 PROJECTED	2017/18 PROJECTED	2018/19 PROJECTED	2019/20 PROJECTED
SALES	£940,917	£1,157,204	£1,235,823	£1,246,346	£1,246,346
EBITDA	£66,622	£188,486	£244,279	£249,550	£249,550

** Includes investment in second site – plans assume 24 months to breakeven

CADENCE



THE MANAGEMENT TEAM



Directors



Frank Beechinor – Co-founder and CEO

Frank is the CEO and is an experienced entrepreneur and businessman. He was a co-founder of OneClickHR, a HR software business, which he floated on the London Stock Exchange AIM Market in 2000 and sold to ADP in 2011. Frank is currently non-Executive Chairman of two companies on AIM, Dotdigital Plc and Coms Plc. Frank has had an interest in cycling from an early age and established a bicycle shop as his first business when he was 17 and used this to pay his way through university. He moved to the UK in 1987 and joined Grand Metropolitan plc.



Ray Vella – Co-founder and Director

Ray is a GP with a local practise in Beckenham in Kent. Along with Frank, Ray is a Director of the company. He is a keen cyclist who understands the needs of our customers. He rides his bike every day and is an archetypical Frequent Enthusiast. He provides strategic direction to the business.

HISTORY OF SUCCESSFULLY DELIVERING RETURNS FOR SHAREHOLDERS

Operational Management



Adrienne Cadle – Finance Director

Adrienne is Finance Director, a qualified accountant with an extensive background in setting up financial systems, controls and management reporting. She joined Cadence in January 2014 and manages day to day operations of the business, ensuring accurate financial information is produced with management reports. Previously Adrienne worked as a financial controller/manager at Reed Employment, P&O and Office Canopy Group.



Seamus Kelly – General Manager

Seamus has many years' experience in the cycle trade running bike shops in the UK and Ireland. A Cat 3 road racer Seamus has a comprehensive understanding of bike technology and training.



Ciaran O'Grady – Sports Scientist

Cadence funded Ciaran to undertake his MSc in sports science at the University of Kent where his focus was on individualised training plans for cyclists. He is about to embark on his PhD which will be funded by Cadence and his research will cover coaching techniques. As part of our relationship with the University we share Ciaran's research findings allowing us apply this to our services.



Ed Collins – Head Cycling Coach

Ed is a former pro mountain rider and a competing road and cyclo cross rider as well as being a Level 3 British Cycling qualified cycling coach. Ed is responsible for our coaching plans and strategy.

Aim to build team to support full roll-out of concept

WHAT OUR CUSTOMERS SAY

GREAT FEEDBACK FROM CUSTOMERS



Thanks to the great folks at CADENCE whose support and advice was essential in getting Wim and myself prepared for going up col after col during the Haute Route Alps 2013.

Hans Gerbeur Sept 2013

Dave B

Great place, been going there from the start. Recently got a new saddle and it was nice not feel the pressure to choose the first one Also get an orthotic heating and fitting with Simon which lasted a good half hour to get it right, as well as the mechs fitting in some quality work on the bike at short notice (though that may be a luxury that is short-lived given how popular the shop is getting!). Keep it up, guys, you're fulfilling an important function in Crystal Palace.

Jon Arm

Located in the heart of the south London cycle culture, Cadence brings the long waited cycle hub, offering great coffee, food and all you could need in cycling equipment and tech advice. Its a great place to end your training ride, or your social club ride. If you are a cyclist and are looking to take your cycling to the next level, Cadence is the place for you to get advice, bike fits and anything else you might need to get your body and equipment up to speed.

Mark Jones

Love this place.....in the early days, had a chance to spend 45 mins with des discussing the best use of this and the best use of that....now they are lucky enough to be as busy as they deserve. From turbo sessions to bike maint. to watching re-runs of races and eating cake whilst "working from home" with the free wifi, they are great.

Lauren Kristina Anne Lepley

Bloomin marvellous! Awesome service from all staff and a great bike fit! Thanks guys! Oh and great coffee and cake too even if you don't have a bike!

Rob Hannam

I am what some would say, a 'larger gent' as such struggle with my cycling, so, after a recommendation I went for a bike fit with my Tri bike, it was transformed, from something that was nearly unrideable, to a much more comfortable ride. That was last year, this year I went back with my road bike, just in time for ironman 70.3, Des worked some magic and once again the bike was transformed! I am hard to impress, but the service and skill I received on both my fittings did the job. There seems little point spending thousands on a fancy machine if it don't fit. Money very well spent! Will be back again most definitely be back!

Chris Huey

I've used Cadence for a bike fit and also a LT testing session in recent months. Both were great, carried out by experienced staff who know the answers to all sorts of questions and are always willing to offer ongoing advice. I also joined the Cadence group for an event with Marco Pinotti, a brilliant day out with a seasoned professional. Thoroughly recommended as a cafe, bike shop and great group of bike-loving people.

For more reviews visit [Google Reviews](#) and [Facebook](#)

WHAT OUR CUSTOMERS SAY



Cadence Performance Limited

2A Anerley Hill, London

4.9 ★★★★★ 90 reviews

Sort by: Most recent ▾

[Write a review](#)

Mark Dewson
a week ago

★★★★★ I've had bike fits before. A well known one in central London told me to 'ride through the pain' after their ham-fisted attempt. That took 6 weeks of physio to recover from. Another bike fitter in the suburbs tried twice and then gave up. I wasn't holding out much hope for ever getting clipped back in without knee pain but I thought it was worth asking at Cadence as I'd heard good things.

I had an informal chat with Simon, told him the problems he'd be facing but he reckoned it was worth a go. The bike fit was thorough and a pair of Speedplay pedals with a wedge under one foot, custom insoles and a shorter stem for comfort were the recommendations. It felt good on the day but you need to get some miles in to be totally sure.

A couple of months later, I can confirm that Simon got it spot on. It's totally revolutionised my bike riding. I think it was a combination of listening carefully to my problems coupled with a solid knowledge of biomechanics that has achieved what others have struggled with. 100% recommended.

Rebecca Evans
2 weeks ago

★★★★★ My bike fit was carried out by Sandro and he was fantastic. A true professional and extremely knowledgeable. Would highly recommend Cadence.

James Doyle
a month ago

★★★★★ Great bike fitting services helped to solve my lower back pain which I have been struggling with for a couple of years. The staff are polite and our willing to give up time to talk to customers. Best bike shop I have been to!

Tomas Quinn
a month ago

★★★★★ I have just started using the Wattbikes at Cadence and would highly recommend these



A STANDARDISED OPERATING MODEL

STANDARDISED PROCESSES AND GREAT PEOPLE ENSURES CONSISTENCY OF SERVICE

- **Focus on developing standardised operating procedures for all aspects of the business**
- **Currently staff of 11 plus contractors**
 - Including 3 bike fitters, 2 coaches, 2 mechanics
 - The right attitude - passionate about cycling and strong belief that there must be a 'new way' to serve the cycling market
 - Multi-skilled – e.g. bike fit/coach/sell
 - Versatile approach – not patronising to beginners but credible with experienced riders
- **Staff selection**
 - Seek people with the right attitude
 - Multi-skilled - our key people must be able to talk knowledgeably to clients about fitness, mechanics, bikes, parts
 - Operate a policy of 'growing our own' – always developing the next generation of managers for new sites

USE OF NEW INVESTMENT

ACCELERATE OUR GEOGRAPHIC EXPANSION

- **Geographical expansion – open more centres**

- Add to initial site at Crystal Palace with a second site in 2016 and, if we achieve our financial objectives further sites to 2017 and beyond
- Potential to expand to 5 centres in total in UK over 4 years. Once funding in place search commence search for suitable premises. Focus around the M25 – Crystal Palace, SW London/Surrey, North London/Herts and Bucks but will broaden search to other catchments
- Potential for up to 17 centres in UK & Ireland – but also potential for virtual growth – online training plans, cycle coaching app/website
- Eventual international rollout - potential to franchise centre model

- **Develop our Corporate business**

- Clients already include Guardian Newspapers, Credit Suisse, Warner Bros, Mott Mc Donald
- High margin events with good potential for repeat business
- Add marketing resource to increase our corporate business



USE OF NEW INVESTMENT



- **Leverage our cycling coaching capability through technology**

- We wish to create a new generation cloud-based cycle coaching software which will also become the technology platform to operate the Cadence centres
- Integrate fitness testing, coaching, nutrition, pedal stroke analysis, bike fitting into one seamless process
- Will allow us to deliver our coaching services remotely – grow our virtual business
- Enables us to exploit opportunity to deliver a ‘white label’ coaching service to partners in the fitness industry
 - Discussions underway with major operator in the bicycle trade whereby Cadence will provide a ‘white label’ coaching service to their customers across the UK

- **Increase our Membership base**

- Currently 221 customers on ‘pay monthly’, paying average £56 per month
- Focus on marketing our member plans to a broader audience with the aim of getting to 300-500 members per site
- Build our annuity revenue
- Provide a ‘single view’ of clients’ transactions and services
- Integrate predictive analytics; increase cross –sell opportunities to members/customers

SUMMARY

UNIQUE ROLLOUT OPPORTUNITY IN A HIGH GROWTH MARKET

- **Unique service offering – not traditional retail – in one of the fastest growing sporting sectors in the UK and abroad**
- **High margin with recurring revenues**
 - Mature Hub business model runs with high margin cash generation with high recurring revenues
 - Now that model is refined c.24 months to breakeven per centre
 - 45%+ GP per centre, with potential to increase as service offering increases
 - Potential 25%+ EBITDA per centre
- **Potential for coaching business**
 - Online coaching can be highly profitable, with recurring revenues, as it grows
 - Coaching platform – white label ready – potential to sell through third parties
- **Rollout opportunity**
 - Potential for roll-out in the UK: 17 catchments identified
 - Potential International opportunity via franchise model
- **Shareholders**
 - Qualified EIS business
- **Exit**
 - Trade sale to major business in the bicycle or fitness centre operator
 - Possible flotation if we achieve sufficient scale



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