

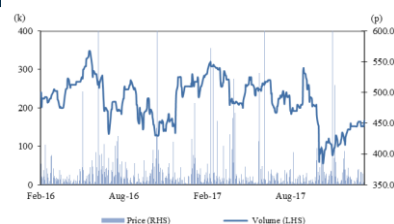
CORPORATE

Current price 437p

Sector Toys

Code (CCT.L)

Listing AIM

SHARE PERFORMANCE


	1m	3m	12m
CCT.L	3.2%	12.1%	-13.6%

Source: Fidessa, Allenby Capital

SHARE DATA

Market cap (£) 92.5m

Shares in issue (m) 20.9

52 weeks	High	Low
	550	385

Financial year end 31 August

Source: Company Data, Allenby Capital

LARGEST SHAREHOLDERS

Kiran Shah (Joint MD) 10.22%

GLG Partners 7.43%

Otus Capital Partners 6.82%

Jon Diver (Joint MD) 6.47%

Sweet Briar Investment Ltd 6.09%

Ruffer Investment Management 5.66%

Source: Company Data, Allenby Capital

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THE CHARACTER GROUP (CCT.L)
FY18 starts on track

Today's pre-AGM trading update confirms that FY18 continues in line with management expectation and fits with October's update and December's prelims. Trading in the first four months, including the crucial Christmas period, saw growth in domestic sales whilst international was down, impacted by several factors including the financing travails of Toys R Us in North America. As a result, H1 FY18 overall is expected to be down on H1 FY17 but H2 will return to growth and this will continue in FY19.

- Good inventory management has meant that Character, the UK's leading independent toy company, has emerged with virtually no excess stocks to deal with in-house and its major retailers have seen a clean sell-through of products. This is testament to the strength of Character's product set and management's considerable experience/expertise.
- Character's leading brands (*Peppa Pig*, *Little Live Pets*, *Stretch*, *Mashems* and *Teletubbies*) have continued to trade well and these will be supplemented by a number of new ranges, most notably *Pokémon* scheduled for launch this summer. The initial response to its 2018 portfolio has been positive and the company will be showcasing its full range at next week's London Toy Fair.
- As discussed in December's note, we believe that CCT is better placed to weather challenging retail conditions than its larger rivals (Hasbro, Mattel and Lego) as it offers price competitive products and its products are not aligned to any particular film franchises. It also has a strong balance sheet with substantial unutilised working capital facilities. Forecasts and fair value of 580p per share, equivalent to a FY18 PER of 13.9x and 4.0x yield remain unchanged.

Year End: 31 August

(£'000)	2016A	2017A	2018E	2019E
REVENUE	120,967	115,319	106,670	117,124
REVENUE GROWTH	22.1%	(4.7%)	(7.5%)	9.8%
ADJ. EBITDA	15,158	15,979	11,591	13,501
MARGIN	12.5%	13.9%	10.9%	11.5%
ADJ. PBT	12,559	13,397	9,587	11,367
EPS (P)	47.6	52.9	38.3	45.4
YIELD	3.4%	4.3%	5.3%	6.2%

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David Johnson is the author of this research recommendation. David Johnson is employed by Allenby Capital Limited as an Equity Analyst.

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Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication.

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