

Corporate

Current price **195p**

Sector **Retailer**

Code **CCT.L**

AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **41.7**

Shares in issue (m) **21.3**

52 weeks High Low

582.5p **195.0p**

Financial year end **August**

Source: Company Data, Allenby Capital

Key Shareholders

Kiran Shah (Joint MD) 10.13%

Close Bros 7.05%

Jon Diver (Joint MD) 6.59%

Forager Capital 6.30%

Sweet Briar Inv 5.96%

Ruffer LLP 5.11%

Source: Company Data, Allenby Capital

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The Character Group plc (CCT.L)

H2 to be impacted by COVID-19, forecasts suspended

Character Group has issued a trading update stating that while its supply side operations in the Far East have now been broadly restored following temporary disruption from COVID-19 issues, the demand side of the business is being deeply impacted by the closure of stores, shops and warehousing & distribution centres. The board is now anticipating a significant drop in H2 FY2020 revenues compared to expectations. However, given the lack of visibility on both trading activity and the eventual impact of COVID-19 on the business, which is second half weighted, we are temporarily suspending forecasts until further clarity is given – probably with the interim results scheduled for end May 2020.

- **Supply-side operations have been broadly restored** – The Group’s supply-side operations in the Far East have experienced temporary disruption but have now been broadly restored with most factories now reporting a return to near normal production capabilities. Orders for direct shipment from the Far East to international distributors and customers in the UK (fob) are being received and processed through the Group’s Far East offices.
- **Demand-side is being severely impacted by shop closures** – Conversely, the demand-side of the business, particularly in the UK, is now being impacted by the closure of non-essential stores, shops and warehousing & distribution centres albeit that some online retail customers are still placing a modest level of orders.
- **Board now anticipates a significant drop in H2 revenue** – As a consequence of the above, the Board is now anticipating a significant drop in revenue in H2 FY2020 compared to expectations, which it believes will inevitably impact profit for the year ending 31 August 2020. The Board also makes the point that without knowing how long closures will last or how soon normal retail footfall will return it is too early to predict the quantum of this impact on Group results.
- **Group retains a strong balance sheet** – Although this update had been expected we draw comfort from the fact that while revenue and profits will be lower than expectations, the Group has a strong balance sheet and is debt free with substantial cash and significant unutilised working capital facilities. In addition, its UK premises are owned by the Group and therefore free from rent liabilities.
- **Forecasts temporarily suspended** – Given the above circumstances we consider it sensible to withdraw our forecasts until further clarity is provided by the Company, either in a forthcoming trading update or with the interim results which are scheduled for release during the last week of May 2020.

£m	2018A	2019A	2020E	2021E
Year End: August				
REVENUE	106.2	120.4		
ADJ. EBITDA	13.6	13.7	Forecasts temporarily	
ADJ. PBT	11.6	11.1	suspended	
ADJ. EPS (p)	45.1	43.2		
NET CASH (£m)	15.6	6.5		

Source: The Character Group plc

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