

Corporate

Current price **315p**

Sector **Leisure**

Code **CCT.L**

AIM **AIM**

Share Performance



	1m	3m	12m
CCT.L	-9%	-8%	-10%

Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **67.3**

Shares in issue (m) **21.4**

52 weeks High Low

430p 194p

Financial year end **August**

Source: Company Data, Allenby Capital

Key Shareholders

KP Shah (joint MD) 10.13%

Close Bros 7.05%

JJ Diver (joint MD) 6.59%

Forager Capital 6.30%

Henry Spain Inv. Services 6.04%

Sweet Briar Inv. 5.96%

Ruffer LLP 5.11%

Source: Company Data, Allenby Capital

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The Character Group plc (CCT.L)

A resilient H2 and reintroduction of forecasts

Today's year end trading update from The Character Group (Character) highlights the Company's resilience and innovation in a challenging international environment with the Group working closely with customers and distributors to maintain trading at satisfactory levels. Indications remain that the second half to August 2020 will produce a profit at least equivalent to H1's adjusted £2.5m before tax. The Group also has the benefit of a strong balance sheet with significant cash balances and no debt except the usual working capital facilities, much of which remains unused. We are pleased to be able to reintroduce forecasts that were suspended in March due to the uncertainty surrounding the COVID pandemic.

- **A series of exceptional trading challenges** – Over the past 12 months Character has had to weather exceptional trading conditions that other companies might have found difficult to negotiate, yet Character remains comfortably profitable with an exceptionally strong balance sheet and continues to pay dividends.
- **H1 impacted by COVID-related supply chain issues and H2 by major shop closures** – In spite of these headwinds and as a result of the Group's strong product portfolio, broad customer base (with no one customer being in a dominant position) and its wide geographic spread, Character is anticipating delivering H2 profits in line with those reported in H1, resulting in a full year profit before tax of around £5m.
- **Demand has proven to be resilient** – Throughout the year demand has been resilient and the Group has reacted well to the changing dynamics of the marketplace. Key lines such as *Peppa Pig*, *Pokémon*, *Goo Jit Zu* and *Little Live Pets* have all continued to sell well through retail and online which gives the Board confidence that steady progress will continue to be made through to Christmas and into 2021.
- **Forecasts reintroduced** – The above gives us some comfort that an uncertain outlook notwithstanding, Character Group should be able to deliver solid growth in 2021. Our new forecasts clearly bear little resemblance to those issued prior to the COVID-19 pandemic, but the key takeaway is that the Group remains comfortably profitable, cash generative and dividend paying.
- **2020 PBT of £5m rising to £7m in 2021** - We are forecasting PBT of around £5m for 2020 rising by 40% to £7m in 2021. Following the payment of a 2p dividend in the first half we anticipate a 3p final resulting in 5p for the year. For 2021 we see the dividend rising to 9p, covered around 3x by earnings. Net cash is expected to be around £15m for 2020 rising to £20m in 2021, a figure which assumes only modest share buy backs.

Year End: August

(£m)	2018A	2019A	2020E	2021E
REVENUE	106.2	120.4	105.0	115.0
ADJ. PBT	11.6	11.1	5.0	7.0
ADJ. EPS (p)	45.1	43.2	18.8	24.9
DIVIDEND (p)	23.0	26.0	5.0	9.0
NET CASH (£m)	15.6	6.5	14.9	20.0
PER (x)	7.0	7.3	16.8	12.7
YIELD	4.0	8.3	1.6	2.9

Allenby Capital acts as Joint Broker to The Character Group plc (CCT.L).

Please refer to the last page of this communication for all required disclosures and risk warnings.

Financial Summary

PROFIT & LOSS SUMMARY				
	£m	£m	£m	£m
Y/E August	FY 2018A	FY 2019A	FY 2020E	FY 2021E
Revenue	106.2	120.4	105.0	115.0
Gross profit	36.3	41.6	34.6	38.3
margin	34.2%	34.5%	33.0%	33.3%
Total operating costs	-25.2	-30.2	-29.5	-31.2
as a % of revenue	23.7%	25.1%	28.1%	27.2%
Underlying EBITDA	13.6	13.7	7.3	9.7
margin	12.8%	11.4%	7.0%	8.4%
Underlying Profit before tax	11.6	11.1	5.0	7.0
Net Profit/(Loss)	9.5	9.2	4.0	5.3
Weighted Average Shares	21.07	21.24	21.33	21.33
Weighted Average Shares (fully diluted)	21.40	21.39	21.48	21.48
Underlying EPS (basic) (pence)	45.1	43.2	18.8	24.9
Dividend (p)	23.0	26.0	5.0	9.0
CASH FLOW SUMMARY				
	£m	£m	£m	£m
Y/E August	FY 2018A	FY 2019A	FY 2020E	FY 2021E
Net cash inflow from operating activities	10.7	7.9	12.8	8.0
Net cash outflow from investing activities	-1.9	-11.0	-1.4	-1.5
Net cash inflow/(outflow) from financing activities	-4.5	-6.1	-2.9	-1.5
Cash at end of the year (net of borrowings)	15.6	6.5	14.9	20.0
BALANCE SHEET SUMMARY				
	£m	£m	£m	£m
Y/E August	FY 2018A	FY 2019A	FY 2020E	FY 2021E
Assets				
Non-current assets	6.1	6.3	5.7	4.7
Current assets (excluding cash)	36.6	51.8	49.0	52.0
Cash	34.6	29.0	29.8	32.7
Total Assets	77.4	87.1	84.5	89.4
Liabilities				
Current liabilities	-45.6	-51.7	-58.4	-59.3
Non-current liabilities	0.0	-1.3	0.0	0.0
Total Liabilities	-45.6	-53.0	-58.4	-59.3
Net Assets	31.8	34.1	26.1	30.1
Net current assets	25.6	29.1	20.4	25.4
Net (debt)/cash	15.6	6.5	14.9	20.0

Source: The Character Group; Allenby Capital

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