CCT AIMX Character Group PLC (The)

Trading Update · RNS 5324W · 28 September 2026

Character Group expects FY26 profit about 20% above forecasts and holds over £20m cash

Share price	305p
Market cap	£52.7m
52-week range	220p - 330p
Shares in issue	17.3m
12-month change	+4.9%

Ticker Data API, as at 29 Oct 2026, 11:08

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SUMMARY

Today's trading update from The Character Group says strong July and August sales reversed a first-half drop, leaving FY26 sales broadly in line with the prior year. The improved gross margin held through the second half. The Board now expects profit before tax and highlighted items (one-off costs it strips out) to beat market expectations by approximately 20%. After the £9.8m sale of its Middleton warehouse, cash stands at over £20.0m, and the Board is considering returning surplus cash. The update continues a run of guidance that has been met. Still, revenue is not growing, US sales are lower, and FY25's adjusted profit turned into a statutory loss. The December accounts will show whether the margin gain turns into cash.

KEY FIGURES

FIGURE	VALUE	PERIOD	CHANGE
FY26 profit before tax and highlighted items vs market expectations	approximately 20% above	FY26 (year to 31 August 2026)	
Cash reserves	over £20.0m	September 2026	
Proceeds from Middleton warehouse sale	£9.8m	July 2026	
Gross margin	31.7%	H1 FY26	up from 29.3% in H1 FY25
Revenue	£48.3m	H1 FY26	prior £53.0m
Revenue	£100m	FY25	prior £123m
Statutory pre-tax profit	-£1.81m	FY25	underlying pre-tax profit £1.22m
Interim dividend per share	4 pence	H1 FY26	prior 3 pence
Henry Spain Investment Services holding	28.230871%	22 Sep 2026	previously 27.061091%
Share price	325.00p	28 Sep 2026	+3.56% today

Sources: Trading Update RNS, 28 Sep 2026; Half-year Financial Report, 12 May 2026; Annual Results, 17 Dec 2025; Holding(s) in Company RNS, 24 Sep 2026; Price & Valuation data

THE ANNOUNCEMENT

- The Board expects FY26 profit before tax and highlighted items to exceed current market expectations by approximately 20%. The announcement does not give the market expectation figure.
- July and August sales were strong. They reversed the first-half fall, so full-year sales should be broadly similar to FY25. UK and Scandinavian sales rose, while international sales, especially in the USA, were lower.
- The improved gross margin reported in the first half was maintained in the second half.
- The Middleton, Lancashire warehouse sale completed in July 2026 for £9.8m. Cash now stands at over £20.0m, and the Board is assessing whether to return excess cash to shareholders.
- Trading remains positive heading into Christmas 2026, with the higher margin holding. Audited FY26 accounts are due in December 2026.

AGAINST GUIDANCE

The update is consistent with earlier guidance and puts a number on it. In December 2025 and January 2026 the company said FY26 turnover would be flat, despite like-for-like sales about 11% lower before Christmas 2025, and that profit before tax and highlighted items would more than double. In May 2026 it said it would keep the improved first-half gross margin and that profit would be significantly above market expectations. Flat sales and a maintained margin have both been delivered. The approximately 20% beat therefore quantifies a direction already signalled in May, rather than marking a wholly new upgrade. Because the market expectation figure is not disclosed, the size of the beat in pounds cannot be checked.

BULL CASE

- Management has done what it said it would. It guided to flat sales and a maintained margin while pre-Christmas trading was weak, delivered both, and each profit statement since December has moved upwards.
- Cash of over £20.0m is large against a market value of £56m. The Board is openly assessing a return of excess cash, and a share buyback has been running since February 2026.
- The higher gross margin, 31.7% against 29.3% a year earlier in the first half, held through the second half. That turned flat sales into a clear profit recovery from FY25's weak outcome.
- Henry Spain Investment Services raised its stake to 28.23% shortly before the news. That shows a large holder buying ahead of the update.

BEAR CASE

- The profit gain comes from margin, not growth. Full-year sales are only flat, international and especially US sales fell, and the update does not say how much of the margin gain comes from product mix, pricing, sourcing or currency.
- A large part of the cash is the £9.8m from selling a warehouse, not money generated by trading. A cash return is only under consideration, and debt, working capital and any replacement premises costs are not disclosed.
- Adjusted and statutory profit have diverged sharply. In FY25, underlying pre-tax profit of £1.22m became a statutory loss of £1.81m, and first-half FY26 statutory EPS fell even as underlying EPS rose.
- The backdrop for a Christmas-dependent toy seller that sources mainly from China is mixed. CPIH inflation is 3.10%, retail sales growth has slowed and Brent crude is up 44.9% in three months. The shares are also thinly traded, so bad news could move the price sharply.

WHAT TO WATCH

- The audited FY26 accounts in December 2026. Watch whether operating cash flow matches the improved underlying profit, how wide the gap is between statutory and underlying profit, and what inventory, receivables and debt look like.
- Whether the Board commits to returning cash, and in what form and size. The alternative is that the cash is kept for working capital or used elsewhere.
- Christmas 2026 trading and whether the higher gross margin carries into FY27, given freight, currency and US demand pressures.
- Whether the move to about 325p holds above the 320p level of the past year's high on stronger trading volumes, or slips back into the range the shares traded in beforehand.

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