CGS XLON Castings PLC

Trading Update and Notice of Results · RNS 3261A · 26 October 2026

Castings cuts FY27 profit expectations as William Lee catch-up costs persist

Share price	277p
Market cap	£120m
52-week range	202.3p - 339p
Shares in issue	43.5m
12-month change	+12.6%

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SUMMARY

Castings today cut its expectations for adjusted pre-tax profit in the year to 31 March 2027 to a level broadly consistent with last year's, excluding historical R&D tax credits, against a company-compiled consensus of £12.9m. Revenue expectations stay in line with the £181.1m consensus and the order book remains strong, so the shortfall comes from cost, not demand. The power outage at William Lee ended in May, but the cost of catching up production ran on and the arrears are not yet cleared. The cut follows an August AGM statement that held full-year targets after power returned, and a February 2025 warning that the FY25 result would be substantially below expectations. Castings has no borrowings and held £17.4m of cash at March 2026, but FY26 capital spending of £20.5m and an 18.40p dividend above 17.36p of earnings leave little slack. Half-year results follow on 11 November 2026.

KEY FIGURES

FIGURE	VALUE	PERIOD	CHANGE
FY27 revenue consensus (unchanged)	£181.1m	Year to 31 March 2027	Revenue expectations remain in line
FY27 adjusted pre-tax profit consensus before the cut	£12.9m	Year to 31 March 2027	Board now expects profit broadly consistent with prior year, excluding historical R&D tax credits
Pre-tax profit	£10.3m	FY26 (year to 31 March 2026)	Prior year £5.63m
Revenue	£173.2 million	FY26	Down 2.1%
Cash (no borrowings reported)	£17.4m	31 March 2026	£32.5m at 31 March 2024
Capital expenditure	£20.5m	FY26	Prior year £13.2m
Total dividend per share	18.40 pence	FY26	Basic EPS 17.36 pence
New William Lee foundry line capacity	12,000 tonnes (15%)	Commissioned Q4 FY26	

Sources: Trading Update and Notice of Results RNS, 26 Oct 2026; Final Results RNS, 17 Jun 2026; Primary statements, annual report to 2026-03-31

THE ANNOUNCEMENT

- The board has reduced its expectation for FY27 adjusted pre-tax profit to a level broadly consistent with the previous year's profit, excluding historical R&D tax credits. Consensus before the announcement stood at £12.9m, and no revised figure or value for the excluded credits is given.
- Revenue expectations remain in line with market consensus of £181.1m, and the order book remains strong across the group.
- The third-party power supply problem at the William Lee site hit first-half results. Power was restored at the end of May, but the extra cost of catching up production continued after that date and production arrears are not yet resolved.
- With the power issue behind it, William Lee management is concentrating on optimising the new foundry line, while the group focuses on productivity and cost control to deliver both the second-half order book and the first-half arrears.
- Half-year results will be announced on 11 November 2026.

AGAINST GUIDANCE

This is a profit warning against both market expectations and the company's own recent guidance. The consensus compiled by Castings stood at £12.9m of adjusted pre-tax profit; the board now points to a level broadly consistent with FY26, excluding historical R&D tax credits that it does not quantify. FY26 reported pre-tax profit was £10.3m, but the exclusion means the underlying base could sit below that figure. At the 20 August 2026 AGM, after power was restored, the company held its annual targets. Revenue guidance is unchanged at the £181.1m consensus.

BULL CASE

- Demand is intact. Revenue expectations hold at £181.1m and the order book is strong, so the problem is converting sales into profit, which is the kind of problem an operational fix can address.
- The new William Lee line adds 12,000 tonnes, or 15%, to gross foundry capacity. If arrears clear and the line is optimised, extra volume over an expanded, already-paid-for asset base could lift margins back towards earlier levels: FY24 pre-tax profit was £21.3m on £224m of revenue.
- The balance sheet buys time. Castings reported £17.4m of cash, no borrowings and no defined-benefit pension scheme at March 2026, and FY26 operating cash flow of £24.0m was well ahead of £7.55m of net profit.
- With the capacity investment commissioned, capital spending could fall from FY26's £20.5m, which would leave more operating cash to fund the dividend.

BEAR CASE

- The timetable has slipped once already. Targets were held in August after the power fix, then cut ten weeks later because catch-up costs persisted, and the February 2025 warning of a result substantially below expectations shows this is not the first miss.
- The revised profit base is vague. Guidance gives no figure and excludes unquantified historical R&D tax credits, so the true starting point may be lower than FY26's reported £10.3m.
- Cash and dividend cover are thin. Cash fell from £32.5m in March 2024 to £17.4m in March 2026, FY26 operating cash flow of £24.0m was largely absorbed by £20.5m of capital spending, and the 18.40p dividend exceeded 17.36p of earnings per share.
- The group's own principal risks flag a cyclical commercial vehicle market and concentration among key customers, either of which could slow recovery of extra costs if the squeeze lasts.

WHAT TO WATCH

- The half-year results on 11 November 2026: the size of the excluded R&D tax credits, how much production remains in arrears, and whether catch-up costs are shown as falling.
- First-half cash flow, working capital and the remaining capital spending plan, which together show whether cash can stabilise around the £17.4m reported in March 2026.
- The interim dividend decision on 11 November, against last year's 4.21p interim and the 18.40p total that earnings did not cover.
- Any further change to FY27 guidance, in particular a softening of the £181.1m revenue expectation, which would show the problem spreading from cost to demand.

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