CHH Churchill China PLC

Churchill China cuts 2026 profit guidance to £4.8m as European demand weakens

Following the Trading Update · 27 November 2026

2026 PBT BEFORE EXCEPTIONALS	2026 GROUP REVENUE	MATERIALS REVENUE	NET CASH, 30 JUNE 2026
£4.8m	-3.8%	-25%	£8.53m
▼ against company-calculated consensus of £6.05m	▼ expected change on 2025	▼ approximately, on 2025, as expected	▲ up from £5.60m a year earlier

Share price, past 12 months

Daily close; latest price as at 16:26 on 26 November 2026 · Ticker Data API



Churchill China's trading update today cut its expected 2026 profit before tax and exceptionals to about £4.8m. That compares with a company-compiled consensus of £6.05m and £6.03m reported for 2025. Sales volumes in October and November came in below expectations across many European markets, in the fourth quarter the company had already said would decide the year. Group revenue is now expected to be around 3.8% below 2025: Hospitality down about 2% and the smaller Materials business down about 25%. Germany stayed positive, the UK had a strong sales performance and the US remained encouraging. None of them made up for Europe. The Board expects European conditions to stay challenging in the short term. It says better factory performance gives it confidence of improving margins in 2027, but it gives no figure.

The warning comes less than three months after the interim results on 7 September repeated that full-year profitability would be in line with expectations. It also follows a year in which the final dividend was already cut to 14.0p. The balance sheet is the counterweight. The group has no debt, and net cash was £8.53m at 30 June. The test over the coming months is whether that cushion holds through the year end. It comes while a new chief executive settles in, the finance director prepares to leave, and European orders stay weak going into 2027.

> **“As highlighted at the time of our interim results, delivery of our expectations for the year was dependent on fourth quarter trading performance.”**
>
> **Churchill China plc**, Trading Update, 27 November 2026 · Trading Update, 27 November 2026

Europe stalled in the quarter that decides the year

Churchill China makes ceramic tableware for hotels, restaurants and other hospitality customers, mostly in its own factories in Stoke-on-Trent. It sells through local distributors into a fragmented market and competes on durability and short lead times. Short lead times help win orders, but they leave little visibility. Customers order close to when they need the plates, so a weak quarter shows up in the figures almost at once.

That is what happened this autumn. A softer end to the third quarter was followed by lower than expected sales volumes in October and November. Demand was subdued across many European markets, against the backdrop of the situation in the Middle East and recent unrest in Western Europe. The Board says its European performance has been in line with underlying market conditions and competitor activity, which amounts to a claim that the weakness came from the market and not from lost share. Conditions in Europe are expected to remain challenging in the short term.

The rest of the map looks better. Germany, one of the largest export markets, stayed positive throughout. The UK delivered a strong sales performance and US trading remained encouraging. In all three the Board sees continued market share gains, with the group outperforming underlying conditions. Rest of the World sales were modestly below the prior year, a resilient result given how much that region depends on large international hotel projects.

All of this adds up to Hospitality revenue 2% lower for the year. Materials, the smaller business, is 25% lower, in line with expectations. Regional sales are not broken out, so it is impossible to say how far the German, UK and US gains offset Europe. They did not offset it enough to protect the year.

A 3.8% sales fall costs a fifth of expected profit

Group revenue is now expected to be 3.8% below 2025's £76.3m, which implies roughly £73.4m. Profit before tax and exceptionals is guided at £4.8m, £1.25m or 21% below the £6.05m consensus the company calculated. It is also below the £6.03m pre-tax profit reported for 2025 and well short of the £8.54m earned in 2024. Pre-tax profit has therefore fallen for two years running.

The gap between the sales fall and the profit fall shows how geared the business is. Kilns, factory staff and energy are largely fixed costs, so a small loss of volume goes almost straight to profit. On the guided figures the pre-tax margin works out at 6.5%, against 7.9% in 2025. The two profit measures are not identical, because the 2026 figure excludes exceptionals.

The first half had already shown the pressure. Revenue fell to £37.4m from £38.5m and underlying operating profit fell to £2.35m from £2.83m. Adjusted earnings per share were 16.8p against 21p. Profitability did improve in the second quarter, and the operational problems of the second half of 2025 had by then been resolved. The factory gains look real, and manufacturing performance has improved again since. But they have not been large enough to absorb lower European volumes in the year's most important trading period.

FY2025 against the prior period

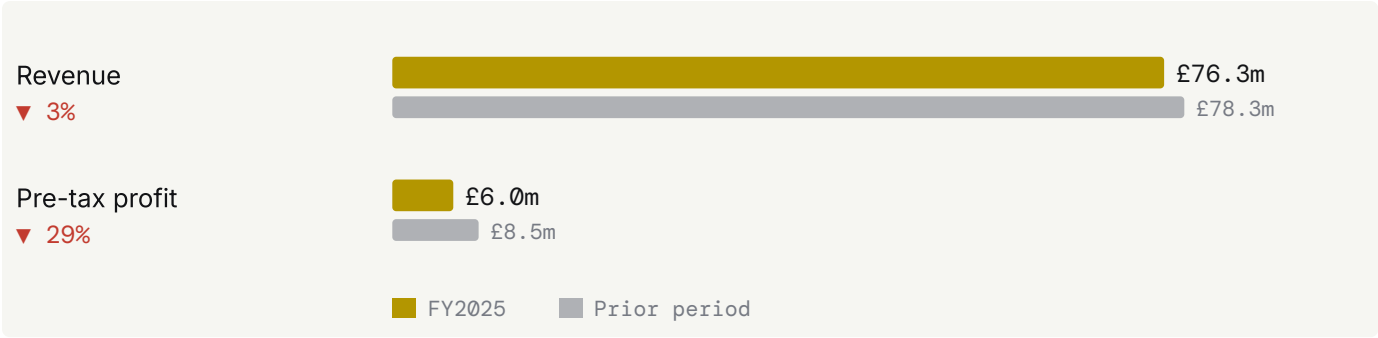

FIGURE	VALUE	CHANGE
Profit before tax and exceptionals (expected) FY2026	c.£4.8m	below company-calculated consensus of £6.05m
Group revenue (expected change) FY2026	around 3.8% below prior year	-3.8%
Hospitality revenue (expected change) FY2026	approximately 2% below 2025	-2%
Materials revenue (expected change) FY2026	approximately 25% lower	-25%
Revenue FY2025	£76.3m	-2.6% prior year £78.3m
Pre-tax profit FY2025	£6.03m	-29% prior year £8.54m
Revenue H1 2026	£37.4m	-2.9% prior £38.5m
Underlying operating profit H1 2026	£2.35m	-17% prior £2.83m
Adjusted EPS H1 2026	16.8p	-20% prior 21p

Sources: Trading Update RNS, 27 Nov 2026; Primary statements, 2025-12-31; Interim Results RNS, 7 Sep 2026

Debt-free, but cash conversion has been uneven

The balance sheet carries no debt. The latest hard number is net cash of £8.53m at 30 June 2026, up from £5.60m a year earlier, and year-end 2025 cash was £10.8m. A profit warning of this size does not threaten solvency. There are no figures yet for November cash, inventory or receivables, however, so the cash position after the weak autumn is not known.

Cash conversion is where the scrutiny belongs. First-half free cash flow was £829k after £1.10m of capital spending, just under half of the £1.68m of statutory net profit, although it improved on the prior year's

outflow. Across full years the pattern has been uneven. Operating cash flow was £9.28m in 2025 but only £3.65m in 2024, when net profit was £6.37m. In a manufacturer facing weaker volumes, the risk is that stock builds up and absorbs cash. That has not been reported, but year-end working capital will show whether it is happening.

The dividend is the nearer pressure point. The final for 2025 was cut to 14.0p, giving 21p for the year against 38p for 2024, and the 2026 interim was held at 7.0p. Paying 21p a year on 11,030,000 shares costs £2.32m. On £4.8m of pre-tax profit and an assumed 25% tax rate, earnings would cover that only 1.5 times. Lease liabilities and pension obligations are not clearly quantified either, and the pension classification differs between the 2024 and 2025 records. The June cash figure is a cushion, but it cannot all be counted as surplus.

H1 2026 against the prior period

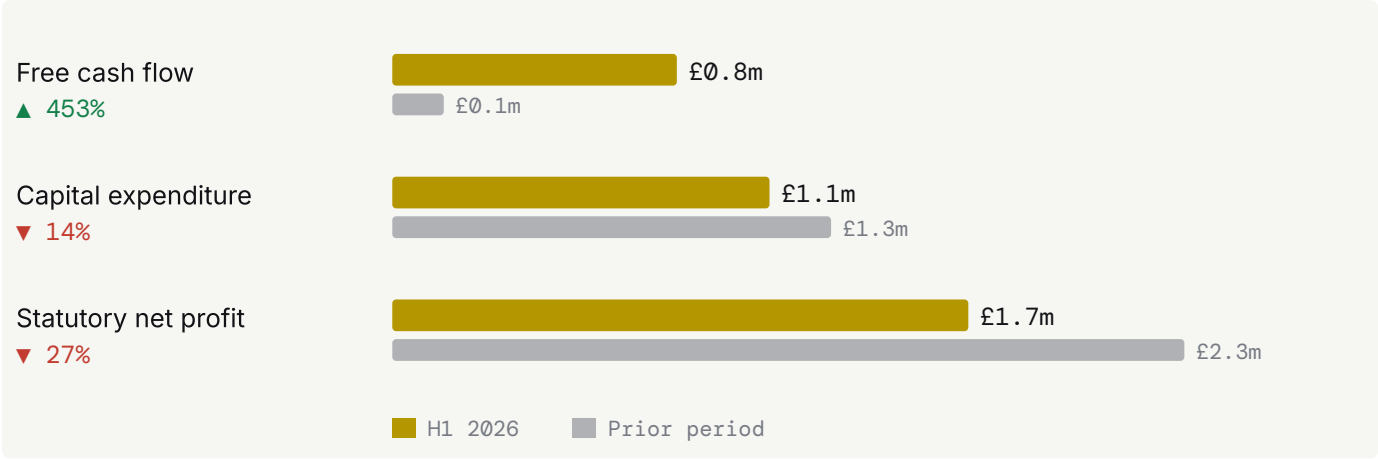

FIGURE	VALUE	CHANGE
Net cash 30 June 2026	£8.53m	+52% prior £5.60m
Cash 31 Dec 2025	£10.8m	+6.9% prior £10.1m
Free cash flow H1 2026	£0.83m	+453% prior -£152k
Capital expenditure H1 2026	£1.1m	−14% prior £1.28m
Statutory net profit H1 2026	£1.68m	−27% prior £2.31m
Operating cash flow FY2025	£9.28m	
Operating cash flow FY2024	£3.65m	−43% against after-tax profit of £6.37m
Final dividend FY2025	14p	−47% cut from 26.5p for FY2024
Interim dividend H1 2026	7p	held at 7p

Sources: Interim Results RNS, 7 Sep 2026; Final Results RNS, 13 Apr 2026; Primary statements, 2025-12-31; Primary statements, 2024-12-31; Dividends declared, 13 Apr 2026

> **“Factory performance has improved, reflecting the benefits of our sustained investment in efficiency and productivity within manufacturing, and gives the Board confidence of improving margins in 2027.”**
>
> **Churchill China plc**, Trading Update, 27 November 2026 · Trading Update, 27 November 2026

Margin confidence for 2027 comes without a number

On 7 September, full-year profitability was still expected to be in line with expectations as the fourth quarter began. Less than three months later, that expectation has been cut by about a fifth. In April the company had said it entered 2026 operationally stronger. The record of forward statements this year is therefore poor, and it affects how much weight the 2027 claim can carry. The Board's confidence in improving margins rests on factory performance, but neither the gain nor the volumes it assumes have been quantified.

Energy is the obvious variable. Gas fires the kilns, and by April 64% of 2027 gas requirements had been forward purchased. That figure has not been updated. The wider UK backdrop is not helping hospitality customers either: Bank Rate stood at 4.00% on 24 November, up 0.25 points over three months, and CPIH inflation was 3.70% in October. On the cost side, the government announced £120m of support for the UK ceramics industry, mentioned at the May AGM, but when and how much of it will reach Churchill is unclear.

Leadership is changing at the same time. James Roper became chief executive on 26 August. Michael Cunningham, the finance director, leaves on 20 February 2027. His successor, Michael Cusick, is expected to start in the third quarter of 2027 and no later than October, with an interim finance director in between. A non-executive director, Mark Moore, leaves on 31 January 2027 and will not be replaced. Ticker's earnings-surprise model, which is an estimate, had leaned towards an in-line statement the day before this update, so the size of the miss was not obvious from the earlier pattern of statements. Last year the company issued a trading update on 2 February and final results on 13 April. A similar timetable would bring the year-end cash figure and the final dividend decision in the first half of 2027.

FIGURE	VALUE	CHANGE
2027 gas requirements forward purchased As stated 13 Apr 2026	64%	
Open exposure to 2026 gas costs As stated 13 Apr 2026	circa 16%	
Bank Rate 24 Nov 2026	4.00%	+0.25 points over three months
CPIH inflation October 2026	3.70%	+0.60 points over three months
Government support for UK ceramics industry	£120m	

Sources: Final Results RNS, 13 Apr 2026; UK economy and markets data; AGM Statement RNS, 29 May 2026

About £38m of equity for a business guiding to £4.8m

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~~6.630000%~~	→	12.000000%

The latest price on record alongside the update was 344.5p, within a day's range of 340p to 345p. On 11,030,000 shares that values the equity at about £38m. As an illustration, £4.8m of pre-tax profit taxed at an assumed 25% gives earnings of 33p a share, or a multiple of 10 to 11 times. Deducting June's £8.53m of net cash leaves an enterprise value (equity value less net cash) of about £30m, six times the guided pre-tax profit. If the 21p dividend were maintained, the yield at that price would be about 6%.

These multiples look undemanding only as long as 2026 is the low point. The same gearing that took a fifth off expected profit this year would cut 2027 earnings again if European volumes kept falling. Each multiple would then be higher than it looks today. Pre-tax profit of £8.54m in 2024 shows what the business has earned before, but nothing yet offers a basis for dating a return to that level.

The share register is concentrated. Raymond James Wealth Management notified a 12% holding in August, and TrinityBridge fell just below 5% in October. The 52-week range of 271p to 460p shows how far sentiment has already swung.

FIGURE	VALUE	CHANGE
Shares in issue 16 Apr 2026	11,030,000	
Share price Latest on record at publication	344.5p	day range 340.00p to 345.00p
52-week range	271.00p - 460.00p	

Sources: Shares in issue record; Price & Valuation data

Sold heavily before the news arrived

The share price data on record ends at the 345p close on 26 November, the day before the update. None of the market's reaction to the warning is in it yet. Going into the announcement the shares were below their 20, 50, 100 and 200-day moving averages, at 362p, 362p, 368p and 355p respectively. The 50 and 200-day averages were both still falling. The trend was weak in strength, though, with the average directional index at 14.8. That indicator measures how strongly a share is trending, and readings below 20 usually mean a share drifts and whipsaws without moving in a clear direction.

The three weeks before the update were telling. The shares fell from a 390p intraday high on 6 November to 335p intraday on 20 November, about 11.5% from peak to trough, with turnover well above the 20-day norm on the down days. On-balance volume, which adds volume on up days and subtracts it on down days, sat below its 20-day average. Both point to selling, not to buyers building positions. Short-term momentum gauges were in oversold territory, with the 14-day RSI at 33.6. There was no bullish divergence, the pattern in which the price makes a lower low while momentum does not.

The nearest support on the chart is 312.6p, touched five times and last tested in May, 9.4% below the 26 November close. Resistance sits at 355p, only 2.9% above. Average daily value traded of about £186k is thin, so a surprise of this size is more likely to gap than to drift. A close below 312.6p on heavy volume would suggest the market sees a lasting fall in earnings. A sell-off that holds the 338p to 344p area would suggest that the weeks of selling before the update had already priced in much of the miss.

FIGURE	VALUE	CHANGE
52-week range	271.00p - 460.00p	

Sources: Price & Valuation data

The case for and against

FOR

The case for rests on what Churchill controls. The factory is running better after the problems of 2025, and the group has gained market share in Germany, the UK and the US during a weak year for hospitality spending. The balance sheet carries no debt, and net cash of £8.53m at June was higher than a year earlier. First-half free cash flow was positive. At £38m of equity, £30m once June's net cash is deducted, the shares price in a great deal of disappointment. Operational gearing works in both directions. If European volumes simply stop falling, a leaner cost base could turn modest sales growth into a visible margin recovery in 2027.

AGAINST

The case against starts with credibility. Full-year profit expectations were repeated in September and cut by a fifth in November. With short lead times there is little forward visibility, so the unquantified promise of better 2027 margins is hard to rely on. Profit has fallen for two years, from £8.54m in 2024 to a guided £4.8m. Share gains elsewhere did not protect the year. Cash conversion has been uneven and dividend cover is thin at 1.5 times on illustrative numbers, after a cut already made this year. A third of 2027 gas was unhedged as at April. The finance function will be run by an interim from February until the new finance director arrives, and with £186k traded a day, the shares can move sharply on little news.

WHAT TO WATCH

The next set of figures will show which of these readings holds. First is the year-end cash balance against June's £8.53m, together with inventory and receivables, which will show whether weaker volumes are tying up cash. Second is the final dividend decision for 2026, likely to come with full-year results in the spring if last year's April timing is repeated. Third is any figure put on 2027 margins or volume assumptions, along with an update on the 64% gas forward purchase. The plainest test is European order intake in the first months of 2027, because the rest of the business has already shown it cannot carry the group's profit on its own.

Risks

- European hospitality demand stays weak into 2027, and the same operational gearing that turned a 3.8% sales fall into a 21% profit shortfall against consensus cuts earnings again.
- Forecasting reliability: full-year guidance was repeated on 7 September and cut on 27 November, so the unquantified 2027 margin confidence may also prove optimistic.
- Energy costs: as at April, 64% of 2027 gas requirements had been forward purchased, leaving the rest exposed to price swings linked to the Middle East.
- Cash conversion has been uneven (operating cash flow of £3.65m against £6.37m of net profit in 2024), and weaker volumes could tie up cash in stock. No current working-capital figures have been given.

- Dividend cover is thin at 1.5 times on illustrative 2026 earnings, after the 2025 final dividend was already cut to 14.0p.
- Leadership transition: a new chief executive since August, a finance director leaving on 20 February 2027 with an interim in place until his successor arrives by October 2027, and a smaller board after 31 January 2027.
- Thin trading, at £186k of shares a day, can amplify price moves in either direction and make it hard to deal in size.

THE OTHER VIEW

A harsher reading is that the warning tells investors more about the business than about one bad quarter. Pre-tax profit has fallen from £8.54m in 2024 to £6.03m in 2025 and now to a guided £4.8m. Over the same period the dividend has gone from 38p to 21p a year. Each step came with explanations: operational problems in the second half of 2025, then Middle East tensions and unrest in Western Europe. Each time, confidence was expressed in the following period. If the share gains in Germany, the UK and the US are real, they are either too small to move the group total or are being won at margins that do not show through, and neither the regional sizes nor the pricing that would settle the point is disclosed. Under this reading, the cheap-looking multiple is a fair price for earnings that are still falling. The net cash is a cushion that a high-fixed-cost factory, energy exposure and dividend payments could steadily wear down. And the 2027 margin promise deserves no weight until it arrives as a reported number, given that September's assurance on 2026 lasted less than three months.

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