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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law pursuant to the Market Abuse (Amendment) (EU Exit) regulations (SI 2019/310) ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.



THE CHARACTER GROUP PLC

("Character", the "Company" or "Group")

Designers, developers and international distributor of toys, games and giftware

Tender Offer for up to 2,142,572 Ordinary Shares at 630 pence per Ordinary Share

London: Friday, 28 January 2022

A circular explaining the terms of a Tender Offer for up to 2,142,572 Ordinary Shares at 630 pence per Ordinary Share (the "**Circular**") will today be posted to Shareholders and published on the Company's website at www.thecharacter.com.

Capitalised terms and expressions shall have the same meanings as those attributed to them in the Circular.

1. Introduction

The Company intends to return up to approximately £13.5 million of cash to Qualifying Shareholders by way of the Tender Offer and the subsequent repurchase from Panmure Gordon of the Ordinary Shares successfully tendered. The Tender Offer will be conducted at the Tender Price. If the maximum number of Ordinary Shares under the Tender Offer is acquired, this would result in the purchase of approximately 10 per cent. of the Company's current issued share capital (excluding Ordinary Shares held in treasury).

The Tender Offer will be conducted at a fixed price of 630 pence per Ordinary Shares ("**Tender Price**"), which represents a premium of approximately 8.4 per cent. to the average middle market closing price of an Ordinary Share for the 60 trading days ended 27 January 2022, being the latest practicable date prior to the date of this announcement.

The Company is authorised to buy back up to 3,200,000 Ordinary Shares pursuant to the general authority for the Company to make market acquisitions, including by way of a tender offer, which was approved by Shareholders on 21 January 2022, since when the Company has not acquired any Ordinary Shares.

2. Background to and reasons for the Tender Offer

The Company has pursued an active buyback strategy to return surplus cash to Shareholders since 2004 and, since that time, has acquired a total of approximately 39.6 million Ordinary Shares, representing approximately 185 per cent. of the current issued Ordinary Share capital (excluding Ordinary Shares held in treasury). However, following the implementation of the EU's Market Abuse Regulation in the UK from July 2016, the Company's ability to sustain this strategy has been extremely limited and no buybacks have been effected by the Company since October 2019.

On 29 April 2021, the Company announced that the Board had resolved to pursue a new buyback initiative to purchase Ordinary Shares. In an update issued by the Company on 30 September 2021, the Board stated, due to adverse trading conditions, that a tender offer would be deferred until after the announcement of the Group's preliminary results for the financial year ended 31 August 2021. Those preliminary results were announced by the Company on 15 December 2021. It is against this background that the Tender Offer is now being made.

Current trading

On 21 January 2022, the Company provided the following update on trading for the four months ending 31 December 2021:

“The Group maintained a steady performance in the lead up to and through the Christmas 2021 period, notwithstanding global logistical challenges which continue to impact the export of product from the Far East to UK and our global markets. Whilst the consequent escalation in freight rates from the Far East has significantly increased costs, the Group has endeavoured, where possible, to raise its prices in the UK and Scandinavia to mitigate the impact on margins. Turnover increased by c.23% in the four-month period ended 31 December 2021 compared to the previous year (in part benefiting from delayed shipments in August 2021). The bulk of this growth was attributable to sales to the USA and Scandinavia, whilst turnover in the UK and the rest of the world remained largely flat.

“Our sales levels are a reflection of the strong portfolio of brands and products that we have at this time. In the UK, retailers have reported good sell through of our products and this bodes well for the rest of the financial year. Our teams are excited to be presenting to our customers at the London Toy Fair at Olympia next week (25 - 27 January) and showcasing the 2022 range and introducing new products, brands and refreshed items.

“Assuming no further worsening of the trading conditions, including adverse COVID developments impacting normal commercial activity, the Board believes that the Group will achieve current market expectations for the year ending 31 August 2022.*

“Subject to the share buyback authority being renewed at the Annual General Meeting later today, the Company will be proceeding with the tender offer proposed last year and full details of the size, pricing and exact timing of the offer are expected to be announced next week.

*Note: *Current market consensus compiled by the Company for the year ending 31 August 2022, prior to the release of this announcement, is an underlying profit before tax averaging c. £11.275m”*

The ongoing cash-generative nature of the Group’s business model has resulted in the Group’s cash balances as at 26 January 2022 standing at approximately £27 million. This strong cash generation is anticipated to continue through and beyond the current financial year. Taking account of the Group’s future working capital expenditure, the funding of the potential future growth requirements of the business and to ensure the Company’s ability to maintain a progressive dividend, the Board has estimated the surplus cash in the business to be at least £15.0 million. The Board maintains that a buyback by way of a tender offer provides the most efficient use of the Company’s surplus cash at this point in time and a means by which to re-establish a clear and meaningful buyback strategy. Accordingly, the Board has resolved to seek to return up to approximately £13.5 million to Qualifying Shareholders under the Tender Offer.

3. Benefits of the Tender Offer

The benefits of the Tender Offer, compared to other available options for a return of surplus cash to Shareholders, are that the Tender Offer:

- provides those Qualifying Shareholders who wish to sell Ordinary Shares with the opportunity to do so;
- allows the Company to broaden the return of cash to include those Qualifying Shareholders whose Ordinary Shares might not otherwise be purchased by the Company through a buy-back in the market;
- enables Qualifying Shareholders to decide whether to tender none, some or all of their Ordinary Shares within the overall limits of the Tender Offer;
- enables those Qualifying Shareholders who do not wish to receive capital at this time to maintain their full investment in the Company;
- enables Ordinary Shares to be sold free of commissions or charges that would otherwise be payable if Qualifying Shareholders were to sell their shares through their broker; and
- enhances earnings per share in respect of Ordinary Shares and the percentage holdings of Ordinary Shares of Shareholders not tendered under the Tender Offer.

4. Summary information on the Tender Offer

Structure of the Tender Offer

The Tender Offer will be implemented on the basis of Panmure Gordon acquiring, as principal, the successfully tendered Ordinary Shares at the Tender Price. The Company will purchase such Ordinary Shares from Panmure Gordon at the same price under the Repurchase Agreement. The Company will cancel the Ordinary Shares purchased by it under the Repurchase Agreement.

Up to 2,142,572 Ordinary Shares will be purchased under the Tender Offer, representing approximately 10 per cent. of the Company’s issued Ordinary Share capital (excluding Ordinary Shares held in treasury) as at 27 January 2022, the latest practicable date for such determination prior to this announcement, for a maximum aggregate consideration of approximately £13.5 million.

The Tender Offer is conditional on receipt of valid tenders in respect of at least 476,191 Ordinary Shares, representing an aggregate value, at the Tender Price, of not less than £3.0 million.

Qualifying Shareholders can decide whether they want to tender all, some or none of their Ordinary Shares in the Tender Offer.

The Tender Offer is being made available to all Qualifying Shareholders who are on the Register at 6.00 p.m. on the Record Date.

The Tender Offer will close at 1.00 p.m. (UK time) on 11 February 2022 and tenders received after that time will not be accepted (unless the Tender Offer is extended).

The Tender Price

A tender price of 630 pence per Ordinary Share will be applied to all Ordinary Shares purchased by Panmure Gordon pursuant to the Tender Offer.

The Tender Price will allow Panmure Gordon to purchase the maximum number of Ordinary Shares for a total cost not exceeding £13,498,203.60 or, if the aggregate price of all Ordinary Shares validly tendered by Qualifying Shareholders is less than £13,498,203.60, all of the Ordinary Shares validly tendered pursuant to the Tender Offer.

Number of Ordinary Shares to be purchased and scaling-back

Under the Tender Offer, each Qualifying Shareholder is entitled to tender up to 10 per cent. of his or her shareholding to be purchased by Panmure Gordon at the Tender Price (being their Basic Entitlement).

Each Qualifying Shareholder's Basic Entitlement will be calculated by the Registrars as at the Record Date by reference to the Qualifying Shareholder's holding of Ordinary Shares as at that date.

In addition, Qualifying Shareholders are entitled to make an application to tender in excess of their Basic Entitlements. The extent to which excess applications can be accepted will depend on the number of Ordinary Shares tendered by other Qualifying Shareholders.

Provided the conditions in paragraph 2.1 of Part III of the Circular are met, if the aggregate value at the Tender Price of all validly tendered Ordinary Shares is less than approximately £13.5 million (and not less than £3.0 million), then all Ordinary Shares validly tendered (including applications in excess of Basic Entitlements) will be purchased at the Tender Price.

If the number of Ordinary Shares validly tendered by Shareholders is more than 2,142,572, tenders will be accepted in the order set out below:

- a) all Ordinary Shares tendered by Qualifying Shareholders up to their Basic Entitlement will be accepted in full; and
- b) tenders of Ordinary Shares in excess of the Qualifying Shareholders' Basic Entitlements will be satisfied *pro rata* in proportion to the amount tendered in excess of Basic Entitlements (rounded down to the nearest whole number of Ordinary Shares) or otherwise at the discretion of the Board, in agreement with Panmure Gordon.

For the avoidance of doubt, the number of Ordinary Shares to be purchased in the Tender Offer will not, in any event, exceed 2,142,572 Ordinary Shares.

Once lodged (in the case of a Tender Form) or settled (in the case of a TTE Instruction) such Tender shall be irrevocable.

Ordinary Shares will be purchased pursuant to the Tender Offer on or about 14 February 2022.

Successfully tendered Ordinary Shares will be purchased free of commission and dealing charges.

Any Ordinary Shares repurchased by the Company from Panmure Gordon following the purchase by Panmure Gordon will be cancelled. Any rights of Ordinary Shareholders who do not tender their Ordinary Shares will be unaffected.

Subject to any applicable rules and regulations, the Company reserves the right at any time prior to the announcement of the results of the Tender Offer, and with the prior consent of Panmure Gordon, to extend the period during which the Tender Offer is open, based on market conditions and/or other factors.

Basic Entitlement

Tenders in respect of up to approximately 10 per cent. of each holding of Ordinary Shares of every Qualifying Shareholder on the Record Date will be accepted in full at the Tender Price and will not be scaled down, provided that such Ordinary Shares are validly tendered. This percentage is known as the "Basic Entitlement".

Qualifying Shareholders may tender Ordinary Shares in excess of their Basic Entitlement. However, if the Tender Offer is oversubscribed, the tender of such excess Ordinary Shares will only be successful to the extent that other Qualifying Shareholders have tendered less than their Basic Entitlement and may be subject to the scaling-back arrangements described above.

Circumstances in which the Tender Offer may not proceed

The Tender Offer is conditional on, among other things, receipt of valid tenders in respect of Ordinary Shares to a value at the Tender Price of not less than £3.0 million, by 1.00 p.m. (UK time) on the Closing Date and the other conditions specified in Part III of the Circular.

The Tender Offer is also conditional on no material adverse change or certain other force majeure events arising prior to the closing of the Tender Offer. Further details of these Conditions are set out in Part III of the Circular.

Full terms and conditions of the Tender Offer are set out in Part III of the Circular, which Shareholders are recommended to read in full.

5. Repurchase Agreement

The Repurchase Agreement between the Company and Panmure Gordon is dated 28 January 2022. Under this agreement, the parties agree that, subject to the sum of £13,498,203.60 (equal to the Tender Price multiplied by the maximum number of Ordinary Shares that could be repurchased under the Tender Offer) being deposited by the Company into a client account of Panmure Gordon by no later than 5.00 p.m. on 31 January 2022 or such later time and/or date as may be agreed by Panmure Gordon and the Tender Offer becoming unconditional in all respects and not lapsing or terminating in accordance with its terms, Panmure Gordon shall, as principal, purchase, "On Exchange", at the Tender Price, Ordinary Shares successfully tendered to it, up to a maximum aggregate Tender Price of £13,498,203.60.

The Company has agreed that, immediately following the purchase by Panmure Gordon of all Ordinary Shares which it has agreed to purchase as principal under the terms of the Tender Offer, the Company will purchase from Panmure Gordon all such Ordinary Shares at a price per Ordinary Share equal to the Tender Price. All transactions will be carried out on the London Stock Exchange.

Under the Repurchase Agreement, the Company has agreed to cancel any Ordinary Shares purchased by it under the Tender Offer arrangements.

The Repurchase Agreement contains certain representations, warranties and undertakings from Panmure Gordon in favour of the Company concerning its authority to enter into the Repurchase Agreement and to make the purchase of Ordinary Shares pursuant thereto.

The Repurchase Agreement also contains representations, warranties and undertakings from the Company in favour of Panmure Gordon and incorporates an indemnity in favour of Panmure Gordon in respect of any liability which it may suffer in relation to its performance under the Tender Offer which is not due to its own neglect or default.

6. Dividends

Successfully tendered Ordinary Shares will be cancelled and will not rank for any future dividends. However, the right of Shareholders, recorded on the Register on 14 January 2022, to receive and be paid the final dividend declared at the Annual General Meeting on 21 January 2022 will not be affected by acceptance of the Tender Offer.

7. Overseas Shareholders

The attention of Qualifying Shareholders who are citizens, residents or nationals of countries outside the UK wishing to participate in the Tender Offer is drawn to paragraph 6 entitled "Overseas Shareholders" in Part III of the Circular.

8. Taxation

Qualifying Shareholders should be aware that there may be tax considerations that they should take into account when deciding whether or not and/or the extent to which to participate in the Tender Offer. A summary of the taxation consequences of the Tender Offer for UK resident Shareholders is set out in Part IV of the Circular. It should be noted that this tax summary is merely a guide to current tax law and practice in the UK. Shareholders are advised to consult their own professional advisers regarding their own tax position.

9. Directors' Interests

The interests (all of which are beneficial unless stated otherwise) of the Directors and of persons connected with them (within the meaning of Section 252 of the 2006 Act) in the issued ordinary share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this announcement are as follows:

Name	Position	Number of Ordinary Shares	Percentage of issued share capital
Kiran Shah ⁽¹⁾	Joint Managing Director and Group Finance Director	2,176,478	10.16%
Jon Diver ⁽²⁾	Joint Managing Director	1,428,248	6.67%
Joseph Kissane	Managing Director - Character Options Limited	518,757	2.42%
Richard King	Non-Executive Chairman	336,286	1.57%
Michael Hyde	Managing Director- Far East Operations	268,888	1.25%
Jeremiah Healy ⁽³⁾	Group Marketing Director	73,000	0.34%
David Harris ⁽⁴⁾	Non-Executive Director	68,183	0.32%
Clive Crouch	Non-Executive Director	15,358	0.07%
Carmel Warren	Non-Executive Director	nil	nil

Notes:

- (1) Mr Shah's interests comprise 176,478 Ordinary Shares held personally by Mr Shah and 2,000,000 Ordinary Shares held by Sarissa Holdings Limited.
- (2) Mr Diver's interests comprise 876,381 Ordinary Shares held personally by Mr Diver and 551,867 Ordinary Shares held by Mr Diver's Self Invested Pension Plan.
- (3) Mr Healy's interests comprise 16,000 Ordinary Shares held personally by Mr Healy, 5,000 Ordinary Shares held by Mr Healy's Self Invested Pension Plan, and 52,000 Ordinary Shares held by Mr Healy's wife, Kathleen Ann Healy.
- (4) Mr Harris's interests comprise 16,780 Ordinary Shares held personally by Mr Harris and 51,403 Ordinary Shares held by Mr Harris's Self Invested Pension Plan.

10. Intentions of the Directors in relation to the Tender Offer

The Directors are currently interested, in aggregate, in 4,885,198 Ordinary Shares, representing approximately 22.80 per cent. of the issued Ordinary Share capital of the Company (excluding Ordinary Shares held in treasury). The Directors have indicated their intention to tender their Ordinary Shares (directly or through their connected parties) as follows:

Name	Applications to tender Basic Entitlement (Ordinary Shares)	Applications in excess of Basic Entitlement (Ordinary Shares)
Kiran Shah	217,647	217,647
Jon Diver	142,824	142,824
Joseph Kissane	51,875	51,875
Richard King	33,628	33,628
Michael Hyde	26,888	26,888
Jeremiah Healy	7,300	7,300
David Harris	6,818	6,818
Clive Crouch	1,535	1,535
Carmel Warren	nil	nil
Total	488,515	488,515

Excess tenders by the Directors will be subject to the scaling-back arrangement described in paragraph 4 above.

Assuming the maximum number of Ordinary Shares under the Tender Offer is purchased and that the Directors' tenders (including excess tenders) are satisfied in full, the Directors, following completion of the Tender Offer, will be interested, in aggregate, in 3,908,168 Ordinary Shares, representing approximately 20.27 per cent. of the issued Ordinary Share capital of the Company (excluding Ordinary Shares held in treasury).

11. Recommendation

The Directors are making no recommendation to Qualifying Shareholders in relation to participation in the Tender Offer itself. Whether or not Qualifying Shareholders decide to tender their Ordinary Shares will depend, amongst other things, on their view of the Company's prospects and on their own individual circumstances (including their own tax position).

If Shareholders are in any doubt as to the action they should take, they are recommended to seek their own independent advice.

12. Expected Timetable of Events

The expected timetable for the Tender Offer is as follows:

Announcement of the Tender Offer	28 January 2022
Tender Offer opens	28 January 2022
Latest time and date for receipt of Tender Forms or for settlement of TTE Instructions in respect of the Tender Offer	1.00 p.m. on 11 February 2022
Record Date for the Tender Offer	6.00 p.m. on 11 February 2022
Announcement of the results of the Tender Offer	14 February 2022
Cheques despatched and CREST accounts credited with proceeds in respect of successfully tendered Ordinary Shares	On or before 21 February 2022
CREST accounts credited with uncertificated Ordinary Shares unsuccessfully tendered and despatch of balance share certificates for unsold certificated Ordinary Shares (if applicable)	On or before 21 February 2022

Notes:

1. The above times and/or dates are indicative only and may change. If any of the above times and/or dates change, the revised times and/or dates will be notified by announcement through a Regulatory Information Service.
2. All references to times in this announcement are to London times unless otherwise stated.

Capitalised terms and expressions shall have the same meanings as those attributed to them in the Circular.

A copy of the Circular will shortly be available for download from the Company's website www.thecharacter.com.

The Character Group plc

FTSE sector: leisure goods:

FTSE AIM All-share: symbol: CCT

Market cap: £131.7m

Email: info@charactergroup.plc.uk

Group website: www.thecharacter.com

Product ranges can also be viewed at www.character-online.co.uk

[CHARACTER GROUP PLC CCT Stock | London Stock Exchange](#)

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