

13 July 2021

# City of London Investment Group \*

CLIG LN

Financials

## Update confirms 22p final DPS

**What's new:** management has released a full year trading update to 30 June which reveals:

- At end June Group Funds Under Management "FuM" hit all-time high of **US\$11.4bn**: up 4.6% YTD (Dec20: US\$10.9bn).
- Strong investment performance across CLIG's investment strategies, was offset by clients rebalancing and some client liquidations, with net outflows of c. US\$774m across Group strategies.
- CLIG maintains an active pipeline across all its major CEF offerings.
- Income *net of third-party commissions* currently accrues at circa **74 bps**.
- Operating profit before profit-share run rate is **£3.3m per month** based on US\$1.38=£1 (at US\$1.43=£1 the run rate would be c £3.2m per month).
- Unaudited profit before amortisation, exceptional merger cost and tax is c. **£27.2m** (Zeus estimate: £26.2m).
- Sterling has weakened in July to **US\$1.38 to £1** from above \$1.41.
- 22p final DPS** makes a total DPS of 33p (Zeus estimate: 33p).

**Zeus view:** This update is in line with our forecasts which we updated last month.

Our forecasts prudently assume Sterling strengthens 4% from US\$1.38 to US\$1.44 to £1. We will review our forecasts again in September when CLIG publishes its full accounts to 30 June.

**Valuation:** At 536p CLIG shares are trading on 11x PER and 6.2% dividend yield.

CLIG has a strong balance sheet with no debt and substantial net cash.

Over the past 5 years CLIG has delivered annualised Total Shareholder Returns (TSR) of 21% CAGR, with dividends providing c. 8%, earnings growth c. 6% CAGR.

Over the next five years, we expect CLIG to continue to deliver a TSR of over 10% pa, of which half comes from dividends and the other half comes from a combination of earnings growth and multiple expansion.

<b>Price</b>	<b>536p</b>
<b>Market Cap</b>	£272m
<b>Shares in Issue</b>	51m
<b>12m Trading Range</b>	376p to 560p
<b>Free float</b>	61%
<b>Next Event</b>	Report & Accounts 13 September 2021

### Price Performance (p)



Source: Bloomberg

### Financial Forecasts

Yr end June (£m)	2019A	2020A	2021E	2022E
<b>Revenue</b>	31.9	33.3	53.0	60.0
<i>y.o.y growth (%)</i>	(6.2)	4.4	57.7	12.4
<b>Op profit</b>	16.5	18.6	34.4	38.5
<i>Profit margin (%)</i>	52	56	66	65
<b>Underlying PBT #</b>	10.6	11.5	26.2	30.8
<b>Underlying EPS (p) #</b>	32.5	38.0	47.6	49.0
<b>DPS (p)</b>	27.0	30.0	33.0	33.0
<b>Avg FuM (\$B)</b>	5.2	5.7	9.7	11.3
<b>Net cash</b>	14.1	14.6	18.8	26.8
<b>P/E</b>	16.5	14.1	11.3	10.9
<b>Div Yield (%)</b>	5.0	5.6	6.2	6.2

Source: Audited Accounts and Zeus Capital estimates

Forecasts include KIM acquisition from 1 October 2020  
# excludes £2.9m KIM deal costs: £1.2m in FY20 & £1.7m in FY21  
amortisation of intangibles and investment gains

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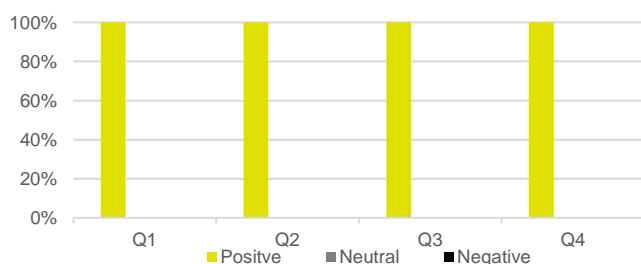
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Nomad & Joint Broker	14
Joint Broker	9
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