

Price	387p
Market Cap	£206m
Shares in issue	50.7m
12m Trading Range	369p–534p
Free float	61%
Next Event	2Q update: Jan '23

Price performance (p)



Financial forecasts

Yr end June (£'m)	2021A	2022A	2023E
Revenue, net	52.5	58.2	51.8
yoy growth (%)	57.7	10.9	(11.0)
Operating profit	35.6	38.4	32.3
Profit margin (%)	67.8	66.0	62.4
Adj. PBT #	26.7	27.9	23.6
PAT	17.0	18.1	15.1
Adj. EPS (p)	48.1	44.2	37.4
DPS (p)	33.0	46.5	33.0
Net cash/(debt)	25.5	22.7	27.9
P/E	8.0	8.8	9.7
Div yield (%)	8.5	12.0	8.5
On 30 June £1=	1.38	1.21	1.15

excludes amortisation of intangibles, £1.7m KIM deal costs in FY21, and investment gains
Source: Audited Accounts and Zeus estimates

City of London Investment Group is a Broking client of Zeus

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City of London Investment Group

CLIG LN – Financials

1Q IMS rebases forecasts

CLIG's 1Q trading update reveals \$40m of net inflows, 8% fall in FUM reflecting weak financial markets and a 10% reduction in run-rate profit per month. It also reminds shareholders "final dividend of 22 pence per share, subject to approval at the AGM on 31 October 2022, will be paid on 4 November 2022".

- ◆ **FUM at 30 September 2022 were US\$ \$8.5bn** (down 8% from 30 June 2022: US\$9.2bn), with \$40m of net inflows, mainly into diversification strategies:
 - **CLIM's Emerging Market FUM fell 12% to \$3.2bn** (38% of Group FUM)
 - **CLIM's diversification strategies fell 6% to \$2.0 bn** (23% of Group FUM)
 - **KIM client FUM fell 4% to \$3.3 bn** (39% of Group FUM), outperforming benchmarks
- ◆ **Revenue margins remain unchanged** at 71bps for CLIM and 76bps for KIM
- ◆ **Run-rate for operating profit before profit-share is approx £2.7m a month**, based on current FuM and exchange rates
- ◆ **The final dividend of 22 pence per share**, subject to approval at the AGM on 31 October 2022, will be paid on 4 November 2022, bringing the total dividend for the financial year 2021-22 to 46.5 pence, including the special dividend of 13.5 pence paid in March 2022

Outlook: "Marketing efforts continue to focus on the long-term outperformance of the Group's strategies and the value opportunities in closed-end funds across the asset classes."

Zeus view: While net inflows are encouraging; the fall in FUM, which reflects the falls in the equity and bond markets in which FuM is invested (e.g. US equity & fixed income; emerging markets), requires our forecasts to be rebased. Using guidance that "run-rate for operating profit before profit-share is approx £2.7m a month, based on current FuM and exchange rates", our new forecasts are:

- ◆ 10% cut to revenue from £57.5m to £51.8m
- ◆ 10% cut to operating profit from £35.9m to £32.3m
- ◆ 10% cut to adj PBT from 26.2m to £23.6m
- ◆ 10% cut to adj EPS from 41.6p to 37.4p
- ◆ 6% cut to net cash from £30.0m to £28.3m

We leave our DPS forecast unchanged at 33.0p, as forecast DPS is covered by adj EPS, and the group has substantial net cash.

Valuation: CLIG has an excellent dividend record. At 387p CLIG shares are trading on 9.7x PER and 8.5% dividend yield.

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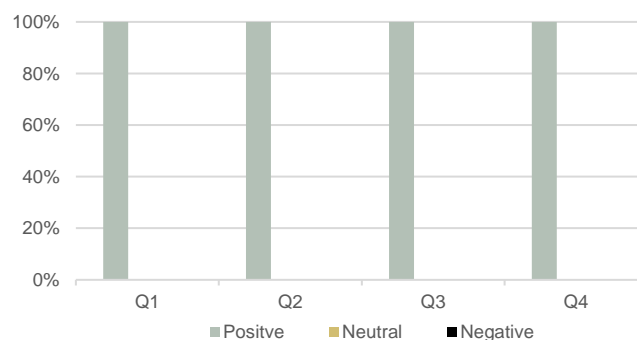
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12 Month Recommendation History



Recommendation distribution at 30 June 2022 Source: Zeus

Corporate Relationship

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Nomad & Joint Broker	12
Joint Broker	6
Financial Adviser & Broker	1
Research client	8

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