

<b>Price</b>	<b>345p</b>
Market Cap	£175m
Shares in Issue	50.7m
12m Trading Range	300p to 475p
Free Float	59%
Next Event	3Q IMS

### Price performance (p)



Source: FactSet

### Financial forecasts

YE, Jun (US\$m)	2022A	2023A	2024E	2025E
Revenue (net fee)	77.4	65.5	64.5	64.3
yoy growth (%)	nc	(15.4)	(1.5)	(0.2)
Profit pre profit share	51.3	38.5	37.5	38.5
EBIT	37.3	26.5	28.3	27.7
Adj. PBT	37.2	27.0	27.7	29.0
Adj. PAT	29.1	21.1	20.8	21.7
Exchange rate #	1.218	1.270	1.250	1.250
Adj diluted EPS (p)	43.7	35.8	33.4	34.8
DPS (p)	46.5	33.0	33.0	33.0
Net cash (p)	45.5	45.1	45.0	45.0
P/E	798	9.6	10.3	10.5
Div yield (%)	13.6	9.6	9.6	9.6

Source: Audited accounts and Zeus estimates

# Current exchange rate is £1=US\$1.266

City of London Investment Group is a broker client of Zeus

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# City of London Investment Group

## CLIG LN - Financial Services

## Interims, as in pre-close

City of London Investment Group's interims are consistent with its 22 January pre-close statement, which revealed:

CLIG's Funds under Management (FuM) of \$9.6 billion at 31st December 2023 is:

- Up 4% yoy from \$9.2 billion at 31st December 2022
- Up 2% from \$9.4 billion at the beginning of the financial year, 1st July 2023
- Up 8% in the 2Q of the financial year, with \$8.9bn on 30 September 2023
- N.B. in 2024, FuM fell 1% to \$9.5 billion on 31st January 2024

Net fee income rose 2% to \$32.6m (prior year's interims now reported in US\$ as \$31.9m)

PBT was broadly flat at \$11.1m (prior year: \$11.0m) and underlying profit before tax of \$13.3m (prior interims: \$13.6m); note underlying profit before tax including gains on investments was US\$13.9m (prior interims: US\$13.8m)

EPS in cents fell 2% to 16.9¢ (prior interims: 17.2¢) and underlying EPS fell 4% to 20.4¢ (prior interims: 21.3¢). Stronger sterling relative to US dollar resulted in EPS falling 11% to 13.4p (prior interims: 15.0p) and underlying EPS falling 12% to 16.2p (prior interims: 18.4p).

Interim DPS was maintained at 11.0p (prior interim DPS: 11.0p)

Board changes: "Sarah Ing will be joining the Board as a Non-Executive Director (NED) on 1st March 2024. Sarah is also an independent NED at CMC Markets plc, XPS Pensions Group plc and Marex Group plc. Jane Stabile, will leave the Board on 29th February 2024, ... due to increasing commitments in her own business."

**Outlook:** "Marketing and sales activity picked up significantly in January 2024 as clients and prospects review their investment allocations. The Group is focused on new mandates in a number of CLIG's asset classes with very good long-term performance as CEF discounts are at compelling levels. CLIG's business development team is actively reaching out to clients and prospects to discuss the current opportunity-rich environment."

**Zeus view:** We observe that in February 2024 MSCI Emerging Markets index is up 6.6% in US dollars and 6.1% in sterling. Sterling is strong relative to US dollar (exchange rate now £1=US\$1.266; October 2023 £1= US\$1.205). We now update our forecasts to use £1= \$1.25, which is 1.9% stronger than £1=1.227 when we set our EPS forecasts in October 2023.

While we leave our revenue forecasts unchanged, we update our cost expectations for FY(Jun)25E to reflect the \$2.5m cost reduction programme announced in the January pre-close. These changes leave our FY24E adj EPS unchanged at 33.4p and increase our FY25E adj EPS by 6.8% to 34.8p (previously 32.6p).

We maintain our expectation of full year DPS of 33.0p (i.e. final DPS of 22.0p unchanged). See page 2 for CLIG template, which also uses £1=\$1.25 exchange rate.

**Valuation:** CLIG trading at 345p a share, with historical DPS of 33p is trading on a 9.6% dividend yield ex-D; cum 11p interim dividend CLIG is trading on a dividend yield of 9.9%.

Investors should note that CLIG now reports its results in its functional currency, US dollars, while its share price and dividend are quoted in pence per share.

## Zeus analysis

We set out below the impact of the \$2.5m cost saving programme announced in January 2024, the interim results and the strengthening of sterling relative to the US dollar.

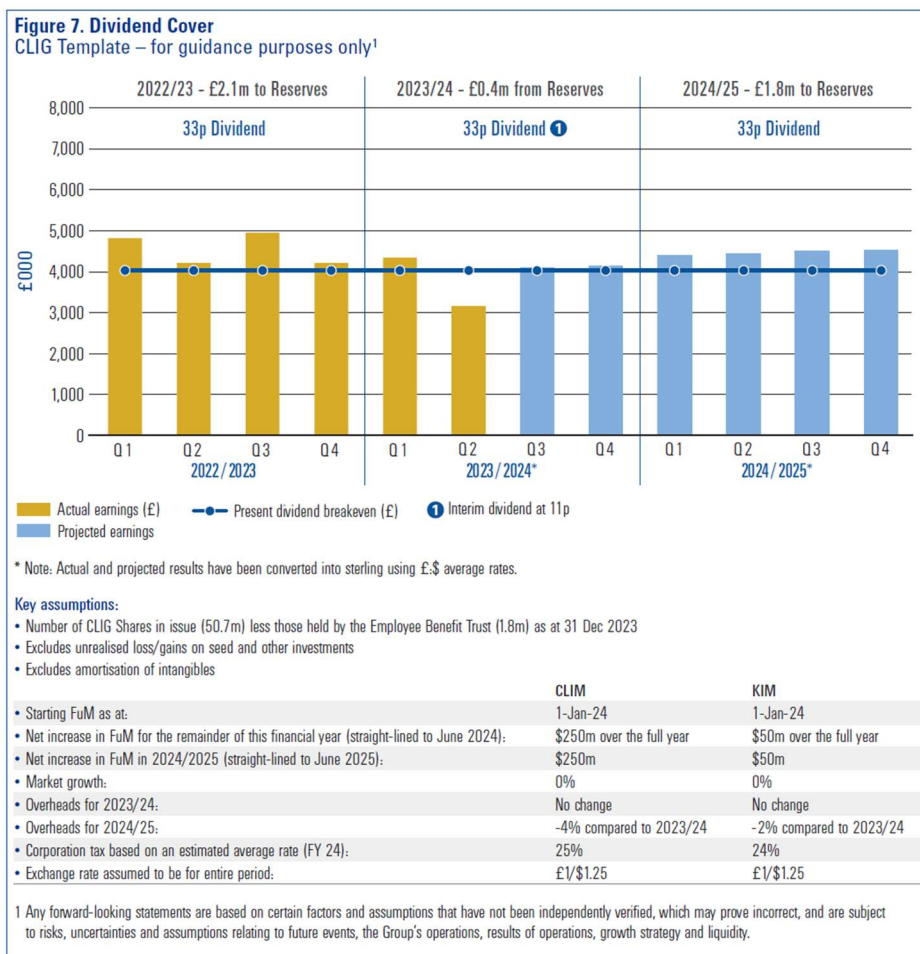
### Exhibit 1: Change to Zeus forecast

YE, Jun (US\$m)	FY23A	2024E new	FY25E new	FY24E % change	FY25E % change	FY24E old	FY25E old
Revenue (net fee)	65.5	64.5	64.3	UNCH	UNCH	64.5	64.3
yoy growth (%)	(15.4)	(1.5)	(0.2)	UNCH	UNCH	(1.5)	(0.2)
Profit pre profit share	38.5	37.5	38.5	2	7	36.9	36.0
EBIT	26.5	28.3	27.7	2	10	25.8	25.2
Adj. PBT	27.0	27.7	29.0	3	9.4	27.1	26.5
Adj. PAT	21.1	20.9	21.7	3	9.4	20.4	19.9
Exchange rate	1.270	1.250	1.250	2	1.9	1.227	1.227
Adj diluted EPS (p)	35.8	33.4	34.8	UNCH	7	33.4	32.6
DPS (p)	33.0	33.0	33.0	UNCH	UNCH	33.0	33.0

Source: Zeus research estimates

CLIG Template – for guidance purposes only shows the Board’s view of dividend cover.

### Exhibit 2: CLIG illustrative dividend cover



Source: City of London Investment Group, interims to 31 December 2023, page 11

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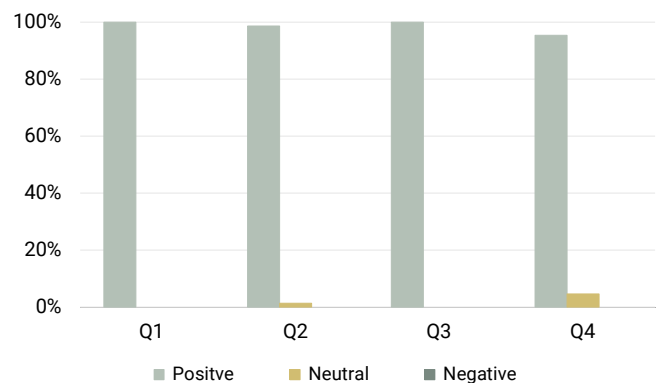
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Recommendation distribution at 31 December 2023 Source: Zeus

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At 31 December 2023 Source: Zeus

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