

GQG Partners Inc

Sector | Financials

CMP
\$1.925

Target
\$2.61

Risk Level
Moderate

Recommendation
BUY

Strategic Growth and Diversification Propel GQG's Future

January 20, 2025

Key Positives

- Increased Dividend Per Share (0.09 in FY24 vs 0.08 in FY23)
- Rise in ROE (85.40% in FY24 vs. 78.90% in FY23)
- Rise in Asset Turnover Ratio (1.33x in FY24 vs. 1.28x in FY23)
- Rise in Quick Ratio (7.96x in FY24 vs. 5.07x in FY23)

Key Negatives

- Declined in Gross Margin (82.0% in FY24 vs. 83.60% in FY23)
- Decreased EBITDA Margin (74.30% in FY24 vs. 76.10% in FY23)
- Decreased EBIT Margin (74.30% in FY24 vs. 76.0% in FY23)

Key Investment Risks

Operational Risks| Investment Performance Risk| Regulatory Risk| Intense competition, etc.

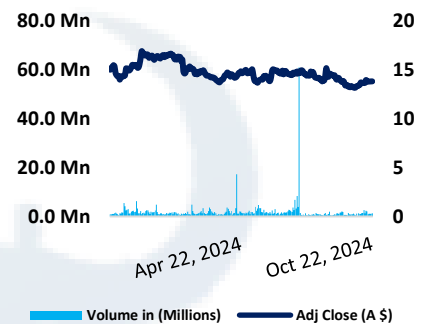
Investment Summary

- Decent Performance in 1HFY24:** Net revenue for 1HFY24 was USD 363.1 million, reflecting a 53.1% increase compared to USD 237.1 million in 1HFY23. This revenue growth was driven by a 49.5% rise in Funds Under Management (FUM), higher management fees resulting from shifts in asset mix, and strong performance fees due to superior investment returns. Net operating income for 1HFY24 reached USD 273.2 million, up 54.9% from USD 176.4 million in 1HFY23. Net income for the period was USD 201.2 million, an increase of 56.4% from USD 128.6 million in 1HFY23. On 30 October 2024, the Company revealed that its Board of Directors had declared a dividend of US\$0.0348, which amounts to 90% of the Company's projected distributable earnings for the third quarter. The key dates for the dividend are as follows: Ex-Dividend Date on 12 November 2024, Record Date on 13 November 2024, and Cash Payment Date on 20 December 2024.
- FUM Growth:** GQG's Funds Under Management (FUM) increased by 49.5% year-over-year, rising from USD104.1 billion to USD155.6 billion as of June 30, 2024. This growth was primarily driven by net inflows of USD11.1 billion during the half-year period, reflecting strong client trust and the effectiveness of distribution strategies.
- Strategic Expansion into Private Capital:** GQG launched its Private Capital Solutions (PCS) division, marking its entry into mid-market private equity investments. The acquisition of minority interests in three boutique private equity asset managers—Avante, Cordillera, and Proterra—forms the foundation of this strategy. This diversification into private capital is expected to enhance GQG's revenue mix and generate long-term growth opportunities.
- Full-year 2025 guidance:** Expanding Private Equity: GQG's new Private Capital Solutions (PCS) division is positioned to explore mid-market private equity investments, indicating strategic diversification.
- Valuation:** We recommend a "Buy" rating on GQG assigning median P/E multiple of 10.83x to FY25E EPS, which gives the target price of AUD 2.61 for the period of 9-12 months.

Stock Information

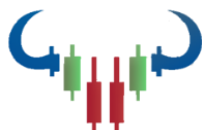
Ticker	GQG
Mkt Cap	AUD 5.55 Bn
52-Week H/L	\$3.110- \$1.705
Beta (x)-5Y Monthly	0.83x
Div. Yield (%)	6.86%
Outstanding Shares (mn)	2,955.28 Mn
Duration	9 to 12 months

Stock Performance



Company Overview

GQG Partners Inc. is a global boutique asset management firm specializing in active equity portfolios. Its subsidiary, GQG Partners LLC (GQG LLC), serves as an investment adviser, offering advisory and asset management services to various investment funds, separately managed accounts for both U.S. and international investors, mutual funds, and other investment structures, including pooled investment vehicles.



Financial Highlights (US\$ Mn)

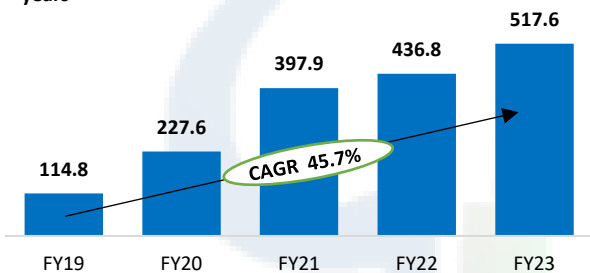
YE December (US\$ Million)	FY19	FY20	FY21	FY22	FY23	Growth Trend
Revenue	114.8	227.6	397.9	436.8	517.6	
EBITDA	78.6	169.5	323.6	332.5	384.8	
EBITDA Margin (%)	68.5%	74.5%	81.3%	76.1%	74.3%	
Net Profit	77.3	167.9	304.9	237.9	282.5	
Net Margin (%)	67.3%	73.8%	76.6%	54.5%	54.6%	
EPS (\$)	0.00	0.00	0.02	0.08	0.10	
Dividend Per Share	0.00	0.00	0.00	0.08	0.09	
RoE (%)	0.0%	0.0%	172.6%	78.9%	85.4%	
Total Debt	-	-	2.2	10.7	19.2	
Cash from Operations	69.7	143.8	302.3	245.3	295.2	

Source: Company, tikr.com, V2U Research

Quick Financial Analysis

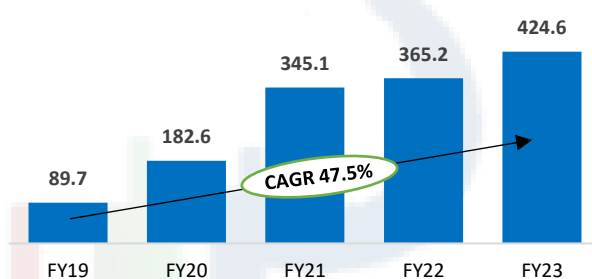
Revenue (\$mn)

Revenue has decreased at CAGR of 45.7% over the past 5 years



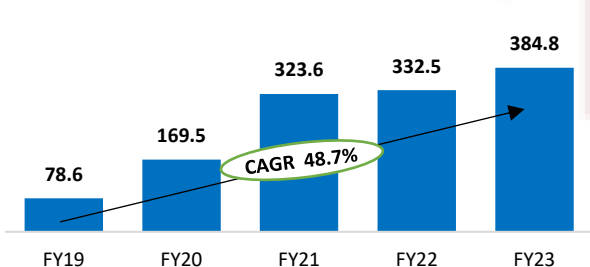
Gross Profit (\$mn)

Gross Profit has grown at CAGR of 47.5% over the past 5 years



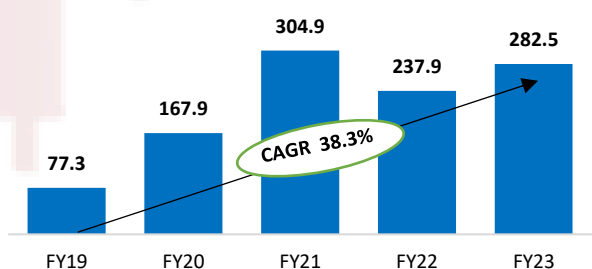
EBITDA (\$mn)

EBITDA has increased at CAGR of 48.7% over the past 5 years



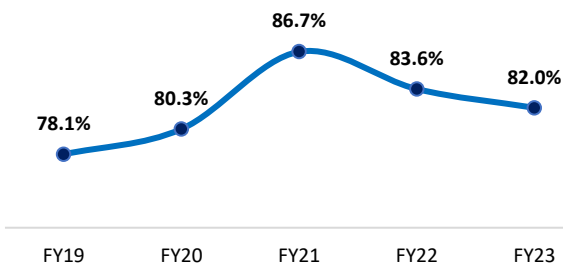
Net Income (\$mn)

Net Income has grown at CAGR of 38.3% over the past 5 years



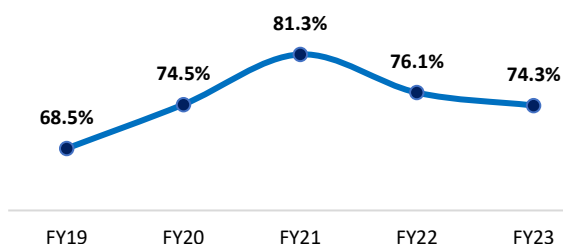
Gross Margin (%)

Gross margin decreased by ~156.9 basis points in FY24



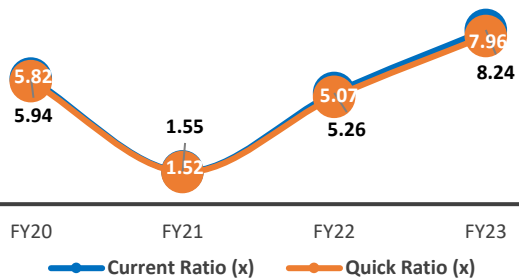
EBITDA Margin (%)

EBITDA margin decreased by ~176.5 basis points in FY24



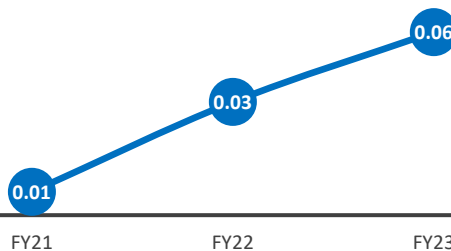
Liquidity Profile

Liquidity Ratio has saw significant increase in FY24

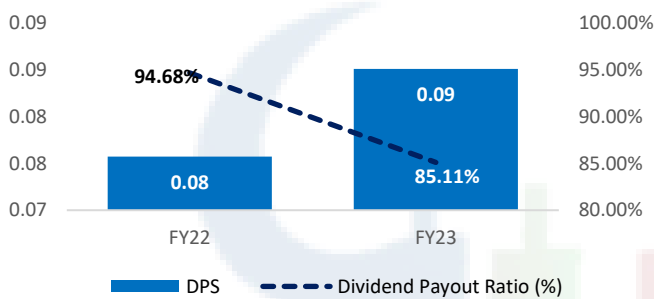


Debt to Equity (x)

Debt to Equity Ratio increased by 0.02x in FY24

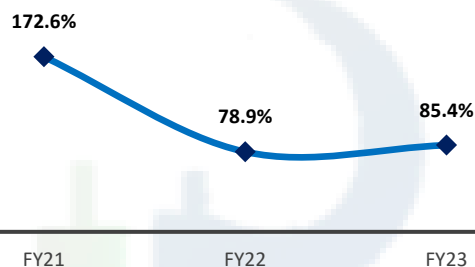


Dividend



Return on Equity (%)

Return on Equity increased by ~650 basis points in FY24



Source: Company, tkr.com, V2U Research

Valuation Methodology

P/E Multiple Relative Valuation

	Earnings Per Share (FY25E US\$)	Price/EPS Multiple (NTM) (Peer Median) (approx.)	Market Cap (A\$ mn)	Shares Outstanding (million)	Target Share Price (A\$)*	Closing Market Price (A\$) (17 January 2025)	Recommendation
FY25E	0.15	10.83	4,798.64	2,955.28	2.61	1.925	Buy

Data Source: tkr.com, Analysis by V2U Research

* 1USD = ~1.61 AUD

Technical Overview

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GQG Partners Inc DRC, Australia, Sydney:GQG, D



Weekly Chart, Source: investing.com

On the daily time frame, The technical chart of GQG Partners Inc. indicates a potential buying opportunity. The stock is currently trading near the Support 1 level at AUD 1.75, which has historically acted as a strong price floor. The Relative Strength Index (RSI) is at 41.06, suggesting the stock is approaching oversold territory, indicating a possible reversal. Additionally, the Bollinger Bands show the price is near the lower band, which often signals undervaluation and a potential bounce. If the stock sustains above AUD 1.75, a move toward Resistance 1 at AUD 2.19 is likely. A breakout above AUD 2.03 could target Resistance 1, making it favorable for medium-term gains. This setup supports a cautious BUY recommendation, contingent on price stability above support.

Going ahead, the stock may face an initial resistance of AUD 2.19, and beyond that it may find strong resistance at AUD 2.40. On the flip side, if the stock retraces down, it may take initial support at AUD 1.75, while Support 2 is at AUD 1.58.

Stock Recommendation

GQG Partners Inc. demonstrates strong financial performance, with a 53.1% YoY revenue growth and a 56.4% rise in net income, driven by robust FUM expansion and superior investment returns. The firm's diversification into private capital through the PCS division provides new growth avenues, while its flagship strategies consistently outperform benchmarks. With a sustainable fee structure and expanding global presence, GQG is well-positioned to navigate competitive pressures and dynamic markets. The company's focus on client trust, operational excellence, and long-term investment performance reinforces its ability to deliver shareholder value. Given its resilient financials, strategic initiatives, and growth potential, GQG offers an attractive investment opportunity for those seeking exposure to high-performing asset management. On 30 October 2024, the Company revealed that its Board of Directors had declared a dividend of USD 0.0348, which amounts to 90% of the Company's projected distributable earnings for the third quarter. The share price at the close of trading on 29 October 2024 was AUD 2.75. The key dates for the dividend are as follows: Ex-Dividend Date on 12 November 2024, Record Date on 13 November 2024, and Cash Payment Date on 20 December 2024.

Hence, considering the aforesaid facts, strategic expansion into private capital, FUM growth, strategic investment, industry tailwind, associated risk, and technical analysis, we anticipate the stock to continue its uptrend, and investors with risk appetite can look forward to buying the stock at the closing market price of AUD 1.925 (as of January 17, 2025) for the upside target price of AUD 2.61 (based on P/E market relative method), keeping in view the stock being underpriced while growth drivers remain intact amid favorable industry tailwinds. However, there could be downside risks to the valuation, owing to geopolitical risk and economic uncertainty.

Technical Indicators Defined: -

Support: A level at which a downward-trending asset attracts buying interest, preventing the price from falling further.

Resistance: A level at which an upward-trending asset experiences selling pressure, preventing the price from continuing to rise.

Stop-loss: It is a level that prevents further losses caused by adverse changes in stock prices.

Bollinger band: The Bollinger band is a technical indicator that indicates a financial asset is about to enter an overbought or oversold state. There are three lines that make up a Bollinger Band on a price chart. The first line is the simple moving average (SMA), which is usually a 20-period moving average of the asset's price. It takes price data over a specific time frame and averages it out so you can see the big picture. Second is, upper band, which is defined as the band located above the middle band, often two standard deviations higher. Finally, there is the lower band, which is situated a specific number of standard deviations (usually 2) below the middle band and signifies possible overbought situations when prices approach or surpass it. Prices that go close to or go below this zone can be a sign of possible oversold situations.

RSI: The Relative Strength Index (RSI) measures the speed and strength of price fluctuations over a specific time period (typically 14 days). It analyzes the internal strength of a price movement, allowing traders to spot market momentum.

EMA: Exponential Moving Average (EMA) is a type of moving average that gives more weight and importance to the most recent data points. It is used to evaluate the bullish and bearish trends in securities over a specific timeframe.

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Disclosure: We sourced the above information from the company reports, presentations, stock exchange, company websites, publicly available information, and a third-party database, i.e., tikr.com. It is advisable that investors make use of a stringent stop-loss in order to safeguard their investments in the event that any adverse or unpredictable market events occur.