

Quercus TFI

1Q23 Results Review

Quercus TFI reported PLN 3.3m (-6% q/q, -26% y/y) consolidated net profit in 1Q23, above our forecast of PLN 3.0m. This was driven by:

- **AuM yield:** Management fee yield reached 1.41% vs. 1.45% in 4Q22 and 1.31% year ago (supported by asset mix). Broadly in line with our expectations @ 1.40%.
- **Average AuM** reached PLN 3,129m in the quarter (-26% y/y, but +5% q/q).
- **Revenues:** Reached PLN 20.9m (+6% q/q, -25% y/y) in 1Q23, this includes PLN 11.3m (+3% q/q, -20% y/y) in assets management segment, broadly in line with our expectations of PLN 11.0m, and PLN 9.7m (+9% q/q) in distribution fee above our expectations of PLN 9.3m. Revenues were supported by PLN 0.4m of positive impact from Getback bonds heritage (vs PLN 0.2m in 1Q22).
- **OPEX:** Distribution costs reached PLN 8.8m (+19% q/q, -24% y/y) and came 1% below expectations. This constituted for 42% of revenues up from 41% a year ago, but up from 37% in last quarter. SG&A costs reached PLN 11.1m (+3% q/q and +11% y/y) and came 6% above expectations.
- **Net financial income:** Came at PLN 3.1m (+12% q/q), broadly in line with expectations.
- **Success fee:** Potential success fee amount to PLN 6.8m in 1Q23, but we believe nothing has been recognised in the results.
- **Xelion contribution:** Revenues came at PLN 11.1m (-17% y/y), while net profit at PLN 0.3m (-40% y/y) in 1Q23. But last year there was affected by profit on the sale of 25% stake to key employees and management.
- **Xelion AUM** - Investment funds and other financial instruments PLN 3.6bn (+3% q/q but -10% y/y), Asset management PLN 1.5bn (+15% q/q and +25% y/y).
- **Tax rate:** effective tax rate came at 19% as expected.
- **Dividend:** Dividend policy (buy-back or dividend) of up to 100% of stand-alone net profit has been maintained.

OPINION. Slightly positive. Reported net profit came slightly above our expectations but results were affected by positive Getback debt valuation of PLN 0.4m. Revenues came slightly above our expectations on both management and distribution fees. Annual decline should be widely expected, given declining AUM (-26% y/y but +5% q/q). Costs (-8% y/y) came also slightly above, with higher SG&A amid lower distribution costs. Quercus TFI reported potential success fee PLN 6.8m in 1Q23, but none of it was recognised in P&L we believe. We expected PLN 3m. Contribution from Xelion was positive but declining @ PLN 0.3m (-40% y/y).

Figure 1. QUERCUS TFI - Financial Data summary

Quercus TFI P&L (PLN m)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	q/q	y/y	lpop	vs. lpo
Revenues	12.0	13.4	15.3	42.3	27.8	23.5	22.0	19.8	20.9	6%	-25%	20.3	3%
EBIT	2.1	2.8	5.3	15.3	6.3	3.4	3.6	1.7	1.1	-37%	-83%	0.9	14%
Net profit	3.7	3.5	4.1	13.8	4.5	3.3	2.9	3.5	3.3	-6%	-26%	3.0	11%

Source: Company, IPOPEMA Research

Teleconference with CEO Sebastian Buczek today @ 11:00 CEST : [LINK](#)

Financials

QUERCUS TFI

U/R

Price as of 20 April 2023 PLN 3.45

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Figure 2. QUERCUS TFI - Financial Data summary

Quercus TFI P&L (PLN m)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	q/q	y/y	lpop	vs. lpo
Revenues	12.0	13.4	15.3	42.3	27.8	23.5	22.0	19.8	20.9	6%	-25%	20.3	3%
Management fee	11.6	13.1	14.7	16.4	13.8	12.3	11.3	10.8	11.1	3%	-20%	11.0	1%
Success fee	0.0	0.2	0.3	17.7	0.0	0.0	0.0	1.2	0.0	n.m.	n.m.	0.0	
Distribution fee	0.0	0.0	0.0	8.1	11.7	11.2	9.9	8.9	9.7	9%	-17%	9.3	4%
OPEX	9.8	10.6	10.1	26.9	21.5	20.2	18.4	18.1	19.8	10%	-8%	19.3	3%
Distribution	4.3	5.0	5.4	9.4	11.5	9.9	8.5	7.4	8.8	19%	-24%	8.9	-1%
SG&A	5.5	5.6	4.7	17.6	10.0	10.3	9.9	10.7	11.1	3%	11%	10.5	6%
Net Other Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	
EBIT	2.1	2.8	5.3	15.3	6.3	3.4	3.6	1.7	1.1	-37%	-83%	0.9	14%
Net financial income	2.1	1.5	-0.1	1.6	-0.9	0.7	0.1	2.8	3.1	12%	n.m.	3.0	3%
Gross profit	4.2	4.3	5.2	16.9	5.4	4.1	3.7	4.5	4.2	-7%	-24%	3.9	6%
Tax	0.5	0.7	1.0	3.1	0.9	0.7	0.6	0.7	0.8			0.7	6%
Minorities					0.1	0.1	0.2	0.2	0.1			0.2	
Net profit	3.7	3.5	4.1	13.8	4.5	3.3	2.9	3.5	3.3	-6%	-26%	3.0	11%
Key figures	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	q/q	y/y	1Q23	
Average AuM (PLN m)	3 190	3 561	3 888	4 108	4 234	3 585	3 155	2 969	3 129	5%	-26%	3 129	
AuM (eop, PLN m)	3 448	3 806	3 943	4 438	3 874	3 280	2 957	3 054	3 187	4%	-18%	3 187	
Management fee yield	1.45%	1.47%	1.51%	1.60%	1.31%	1.37%	1.43%	1.45%	1.41%	-3%	8%	1.40%	
Distribution / revenues	36%	37%	35%	22%	41%	42%	39%	37%	42%			44%	
SG&A/ revenues	46%	42%	31%	42%	36%	44%	45%	54%	53%			52%	
Effective tax rate	13.0%	17.0%	19.8%	18.5%	17.0%	18.2%	16.5%	16.5%	19.0%			19.0%	

Source: Company, IPOPEMA Research

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NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value - price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (January 1 – March 31, 2023)

	Number	%
Buy	9	90%
Hold	1	10%
Sell	0	0%
Total	10	100%

Rating History – Quercus TFI

Date	Recommendation	Fair Value	Price at recommendation	Author
25.06.2021	BUY	PLN 5.98	PLN 5.02	Łukasz Jańczak
26.07.2021	BUY	PLN 6.63	PLN 4.51	Łukasz Jańczak
14.12.2021	U/R	-	-	-