

Quercus TFI

1Q23 net profit broadly in line with estimates. PLN 6.8m provision for success fee.

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Quercus TFI released 1Q23 figures with the following highlights:

- **1Q23 net profit** of Quercus TFI came in at PLN 3.3m (-26% y/y, -6% q/q) and was 5% above our estimates (PLN 3.1m). Slight earnings beat was driven by better than expected financial income coupled with better revenues (9% above our expectations), that were only partly offset by higher costs (19% above expectations). Both other operating costs and financial income were inflated by GetBack related provision (net impact was PLN +0.4m).
- **Fixed fee** in 1Q23 amounted to PLN 11.1m (3% q/q) and was broadly in line with our expectations. In 1Q23 share of low margin debt funds in total AUM dropped to 43% on average (from 45% in 4Q22).
- Provision on **success fee** at the end of 1Q23 amounted to PLN 6.7m.
- **Total costs** in 1Q23 came in at PLN 19.8m (-8% y/y, 10% q/q) and were 19% above our estimates. Distribution costs dropped -24% y/y, staff costs were flat y/y, external services costs increased 5% q/q and other costs went up 60% q/q (as included PLN 1.0m provision related to GetBack).
- At the end of 1Q23 **AUM** of Quercus TFI came in at PLN 3,187m (-18% y/y, 4% q/q). Y/y drop was driven by declining assets of QRS Ochrony Kapitału (-42% y/y), QRS Global Balanced (-42% y/y), QRS Dłużny Krótkoterminowy (-33% y/y) and QRS Agresywny (-8% y/y). The drops were to a small extent offset by rising assets of QRS Obligacji Skarbowych (33% y/y). Quarterly growth of assets was driven by rising AUM of QRS Agresywny (14% q/q), QRS Ochrony Kapitału (3% q/q), QRS Obligacji Skarbowych (6% q/q), QRS Dłużny Krótkoterminowy (10% q/q) and QRS Stabilny (12% q/q).
- In 1Q23 **net flows** to Quercus TFI amounted to PLN -4m (vs. PLN -114m in 4Q22 and vs. PLN -399m in 1Q22). In FY 2022 net flows came in at PLN -1,167m.
- **Teleconference** with CEO takes place today, April 21st, at 11:00 via MS Teams.

Our view: SLIGHTLY POSITIVE

1Q23 net profit of Quercus TFI came in at PLN 3.3m and was broadly in line with our expectations. While fixed fee came as expected, the company managed to deliver strong provision for success fee (PLN 7m). 1Q23 saw slight growth of AUM (4% q/q) supported by positive rates of return of QRS's funds and neutral flows (PLN -4m). Competitive environment for fund managers remains challenging (strong competition from banking deposits and retail treasury bonds), but on the other hand Quercus managed to stabilize flows (in 1Q23 QRS Agresywny and QRS Dłużny Krótkoterminowy had PLN 21/15m of inflows) and delivers positive rates of returns for customers, what shall support AUM also in medium term.

Quercus TFI – P&L, PLN mn

	1Q22	2Q22	3Q22	4Q22	1Q23	y/y	q/q	Pekao	vs. Pekao
Revenues	27.8	23.5	22.0	19.8	20.9	-25%	6%	19.1	9%
Fixed fee	13.8	12.3	11.3	10.8	11.1	-20%	3%	11.3	-2%
Success fee	0.0	0.0	0.0	1.2	0.0	na	na	0.0	na
Total costs	-21.5	-20.2	-18.4	-18.1	-19.8	-8%	10%	-16.7	19%
EBIT	6.3	3.4	3.6	1.7	1.1	-83%	-37%	2.4	-56%
Net profit	4.5	3.3	2.9	3.5	3.3	-26%	-6%	3.1	5%
AUM eop	3 874	3 283	2 957	3 054	3 187	-18%	4%		
AUM average	4 234	3 586	3 156	2 969	3 129	-26%	5%		

Source: Company, Pekao Equity Research

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