

Quercus TFI

2Q24 Results Review

OPINION. Positive. Higher-than-expected revenue dynamics +54% y/y (+14% above consensus) and improvement of C/I ratios to 38% vs 47% in 2Q23 and distribution costs to revenues 38% vs 42% in 2Q23, allowed for significant increase in net profit +134% y/y, despite high OPEX dynamics (+31% y/y). Potential variable fee provisions came at PLN 0.4m in 2Q24 lower than our expectations of PLN 3.5m, but at PLN 11.8m in 1H24 vs PLN 23.8m in 2023. Contribution from Xelion was positive with net profit up +100% y/y in 2Q24, despite slowdown in revenues to PLN 11.6m (-9% y/y). Positive trends in new volumes especially in debt funds seems to prevail in 2H24, amid high interest rate environment, given low deposit rates offered by banks amid high liquidity of the sector.

Quercus TFI reported PLN 9.4m (+46% q/q, +134% y/y) consolidated net profit in 2Q24. This was driven by:

- **AuM yield:** Management fee yield reached 1.48% vs 1.29% in 1Q24 and 1.52% in 2Q23. This is above our expectations of 1.28%.
- **Average AuM** reached PLN 5,307m in the quarter (+12% q/q and +61% y/y). Net inflow of PLN 334m in 2Q24, was much stronger than long-term target level of PLN 150m quarterly.
- **Revenues:** Reached PLN 36.7m (+24% q/q, +54% y/y) in 2Q24, this includes PLN 19.6m (+29% q/q, +57% y/y) in assets management segment and PLN 14.7m (+20% q/q, +31% y/y) in distribution fee. Quercus TFI recognised success fee at PLN 2.4m in 2Q24 vs PLN 2.1m in 1Q24, in line with our expectations of PLN 2.4m.
- **Potential success fee:** Quercus TFI reported potential success fee at PLN 0.4m in 2Q24 vs PLN 11.4m in 1Q24 and PLN 4.5m in 2Q23. This leads to PLN 11.8m in 1H24 vs PLN 11.3m in 1H23. This is lower than expected PLN 3.5m, and compares to recognition of full year PLN 23.8m success fee in 4Q23.
- **OPEX:** Distribution costs reached PLN 13.9m (+17% q/q,+39% y/y). This constituted for 38% of revenues down from 42% a year ago. SG&A costs reached also PLN 13.9m (+9% q/q and +24% y/y), with C/I down to 38% in 2Q24 vs 47% in 2Q23.
- **Net financial income:** Came at PLN 3.5m (+11% q/q and +34% y/y) – supported bottom line.
- **Xelion contribution:** Net profit came at PLN 1.6m (+33% q/q and +100% y/y) in 2Q24, despite slowdown in revenues to PLN 11.6m (-21% q/q and -9% y/y).
- **Xelion AUM** - Investment funds and other financial instruments PLN 4.7bn (+24% y/y), Asset management PLN 1.7bn (+13% y/y).
- **Tax rate:** effective tax rate came high at low 20.1% vs 19% expected.

Figure 1. QUERCUS TFI - Financial forecast summary

Quercus TFI P&L (PLN m)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	Q/Q	Y/Y	Ipop	vs. Ipo	Cons.	vs. Cons
Revenues	20.9	23.8	25.2	48.6	29.7	36.7	24%	54%	31.7	16%	32.3	14%
EBIT	1.1	2.6	3.7	17.4	4.9	8.8	78%	241%	6.3	39%	6.7	31%
Net profit	3.3	4.0	4.7	19.0	6.5	9.4	46%	134%	7.2	30%	7.4	28%

Source: Company, IPOPEMA Research

Teleconference with CEO Sebastian Buczek today @ 2:00PM CET : [LINK](#)

Financials

QUERCUS TFI

U/R

Price as of 29 July 2024 PLN 6.30

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Figure 2. QUERCUS TFI - Financial forecast summary

Quercus TFI P&L (PLN m)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	Q/Q	Y/Y	Ipop	vs. Ipo	Cons.	vs. Cons
Revenues	27.8	23.5	22.0	19.8	20.9	23.8	25.2	48.6	29.7	36.7	24%	54%	31.7	16%	32.3	14%
Management fee	13.8	12.3	11.3	10.8	11.1	12.5	14.0	12.5	15.3	19.6	29%	57%	17.0	16%		
Success fee	0.0	0.0	0.0	1.2	0.0	0.0	0.0	23.8	2.1	2.4	14%	n.m.	2.4	0%		
Distribution fee	11.7	11.2	9.9	8.9	9.8	11.3	11.2	12.4	12.3	14.7	20%	31%	12.3	20%		
OPEX	21.5	20.2	18.4	18.1	19.8	21.2	21.5	31.1	24.7	27.9	13%	31%	25.4	10%		
Distribution	11.5	9.9	8.5	7.4	8.8	10.0	10.1	10.6	12.0	13.9	17%	39%	12.5	12%		
SG&A	10.0	10.3	9.9	10.7	11.1	11.2	11.4	20.5	12.8	13.9	9%	24%	12.9	8%		
Net Other Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0			
EBIT	6.3	3.4	3.6	1.7	1.1	2.6	3.7	17.4	4.9	8.8	78%	241%	6.3	39%	6.7	31%
Net financial income	-0.9	0.7	0.1	2.8	3.1	2.6	2.5	6.4	3.2	3.5	11%	34%	3.0			
Gross profit	5.4	4.1	3.7	4.5	4.2	5.2	6.1	23.8	8.1	12.3	52%	136%	9.3	32%		
Tax	0.9	0.7	0.6	0.7	0.8	1.0	1.3	4.5	1.4	2.5			1.8	40%		
Minorities	0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.4			0.3			
Net profit	4.5	3.3	2.9	3.5	3.3	4.0	4.7	19.0	6.5	9.4	46%	134%	7.2	30%	7.4	28%
Key figures	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	Q/Q	Y/Y	2Q24E			
Average AuM (PLN m)	4 234	3 585	3 155	2 969	3 129	3 296	3 653	4 073	4 741	5 307	12%	61%	5 307			
AuM (eop, PLN m)	3 874	3 280	2 957	3 054	3 187	3 441	3 821	4 409	5 062	5 565	10%	62%	5 565			
Management fee yield	1.31%	1.37%	1.43%	1.45%	1.42%	1.52%	1.53%	1.22%	1.29%	1.48%	15%	-2%	1.28%			
Success fee* (PLN m)	0.0	0.0	0.0	1.2	6.8	4.5	5.7	6.8	11.4	0.4	-96%	-91%	3.5			
Distribution / revenues	41%	42%	39%	37%	42%	42%	40%	22%	40%	38%			39%			
SG&A/ revenues	36%	44%	45%	54%	53%	47%	45%	42%	43%	38%			41%			
Effective tax rate	17.0%	18.2%	16.5%	16.5%	19.0%	19.0%	20.8%	19.1%	16.9%	20.1%			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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IPOPEMA Research - Distribution by rating category (1 April – 30 June 2024)

	Number	%
Buy	25	76%
Hold	6	18%
Sell	2	6%
Total	33	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	-		