

Quercus TFI

3Q23 Results Review

Quercus TFI reported PLN 4.7m (+15% q/q, +60% y/y) consolidated net profit in 3Q23. This was driven by:

- **AuM yield:** Management fee yield reached 1.53% vs. 1.52% in 2Q23 and 1.43% year ago.
- **Average AuM** reached PLN 3,653m in the quarter (+16% y/y, and +11% q/q).
- **Revenues:** Reached PLN 25.2m (+6% q/q, +15% y/y) in 3Q23, this includes PLN 14.0m (+11% q/q, +24% y/y) in assets management segment and PLN 11.2m (-1% q/q, +13% y/y) in distribution fee. Revenues were supported by PLN 0.1m of positive impact from Getback bonds heritage (vs negative PLN 0.3m in 3Q22).
- **OPEX:** Distribution costs reached PLN 10.1m (+1% q/q,+19% y/y). This constituted for 40% of revenues up from 39% a year ago, but down from 40% in last quarter. SG&A costs reached PLN 11.4m (+2% q/q and +15% y/y).
- **Net financial income:** Came at PLN 2.5m (-7% q/q).
- **Success fee:** Potential success fee amount to PLN 5.7m in 3Q23, and total PLN 17m in 9M23, only partly recognized in results (Quercus Stabilny).
- **Xelion contribution:** Net profit came at PLN 0.5m (-38% q/q and -38% y/y) in 3Q23.
- **Xelion AUM** - Investment funds and other financial instruments PLN 3.8bn (+12% y/y), Asset management PLN 1.6bn (+31% y/y).
- **Tax rate:** effective tax rate came high at 20.8%.
- **Dividend:** Dividend policy (buy-back or dividend) of up to 100% of stand-alone net profit has been maintained. Stand-alone net profit after 9M23 reached PLN 10.5m (+

OPINION. Positive. Reported net profit came stronger. Revenues (+15% y/y) were going broadly in line with average AUM (+16% y/y), amid somewhat negative change in assets mix. Higher costs (+17% y/y) should have been expected. Quercus TFI reported potential success fee PLN 5.7m in 3Q23. Contribution from Xelion was positive but declining @ PLN 0.5m (-38% y/y). Cummulative success fee of PLN 17m bodes well for dividend/buyback, as well as 9M23 stand-alone net profit of PLN 10.5m (+7% y/y), while 9M23 EPS came up 12% y/y.

Figure 1. QUERCUS TFI - Financial Data summary

Quercus TFI P&L (PLN m)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	q/q	y/y
Revenues	27.8	23.5	22.0	19.8	20.9	23.8	25.2	6%	15%
EBIT	6.3	3.4	3.6	1.7	1.1	2.6	3.7	42%	2%
Net profit	4.5	3.3	2.9	3.5	3.3	4.0	4.7	15%	60%

Source: Company, IPOPEMA Research

Teleconference with CEO Sebastian Buczek today @ 2:00PM 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)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	q/q	y/y
Revenues	27.8	23.5	22.0	19.8	20.9	23.8	25.2	6%	15%
Management fee	13.8	12.3	11.3	10.8	11.1	12.5	14.0	11%	24%
Success fee	0.0	0.0	0.0	1.2	0.0	0.0	0.0	n.m.	n.m.
Distribution fee	11.7	11.2	9.9	8.9	9.8	11.3	11.2	-1%	13%
OPEX	21.5	20.2	18.4	18.1	19.8	21.2	21.5	1%	17%
Distribution	11.5	9.9	8.5	7.4	8.8	10.0	10.1	1%	19%
SG&A	10.0	10.3	9.9	10.7	11.1	11.2	11.4	2%	15%
Net Other Income	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	42%	2%
Net financial income	-0.9	0.7	0.1	2.8	3.1	2.6	2.5	-7%	-
Gross profit	5.4	4.1	3.7	4.5	4.2	5.2	6.1	17%	65%
Tax	0.9	0.7	0.6	0.7	0.8	1.0	1.3		
Minorities	0.1	0.1	0.2	0.2	0.1	0.2	0.2		
Net profit	4.5	3.3	2.9	3.5	3.3	4.0	4.7	15%	60%
Key figures	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	q/q	y/y
Average AuM (PLN m)	4 234	3 585	3 155	2 969	3 129	3 296	3 653	11%	16%
AuM (eop, PLN m)	3 874	3 280	2 957	3 054	3 187	3 441	3 821	11%	29%
Management fee yield	1.31%	1.37%	1.43%	1.45%	1.42%	1.52%	1.53%	0%	7%
Success fee* (PLN m)	0.0	0.0	0.0	1.2	6.8	4.5	5.7		
Distribution / revenues	41%	42%	39%	37%	42%	42%	40%		
SG&A/ revenues	36%	44%	45%	54%	53%	47%	45%		
Effective tax rate	17.0%	18.2%	16.5%	16.5%	19.0%	19.0%	20.8%		

Source: Company, IPOPEMA Research

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Quercus TFI

The definitions of terms used in the document include:

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 ((1 July – 30 September 2023))

	Number	%
Buy	7	87.5%
Hold	1	12.5%
Sell	0	0%
Total	8	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	-	-	-