

Quercus TFI

4Q23 Results Review

Quercus TFI reported PLN 19.0m (+308% q/q, +444% y/y) consolidated net profit in 4Q23. This was driven by:

- **AuM yield:** Management fee yield reached only 1.22% vs. 1.53% in 3Q23 and 1.45% year ago.
- **Average AuM** reached PLN 4,073m in the quarter (+37% y/y, and +11% q/q).
- **Revenues:** Reached PLN 48.6m (+93% q/q, +146% y/y) in 4Q23, this includes PLN 12.5m (-11% q/q, +16% y/y) in assets management segment and PLN 12.4m (+10% q/q, +39% y/y) in distribution fee. Revenues were supported by recognition of PLN 23.8m success fee vs PLN 1.2m in 4Q22.
- **OPEX:** Distribution costs reached PLN 10.6m (+4% q/q,+44% y/y). This constituted for 22% of revenues down from 37% a year ago, but ratio is positively affected by large success fee in 2023. SG&A costs reached PLN 20.5m (+80% q/q and +92% y/y) due to seasonality and high success fee booked in 2023.
- **Net financial income:** Came at PLN 6.4m (+160% q/q and +132% y/y) – supported bottom line.
- **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 1.2m (+50% q/q and +33% y/y) in 4Q23.
- **Xelion AUM** - Investment funds and other financial instruments PLN 4.0bn (+14% y/y), Asset management PLN 1.7bn (+31% y/y).
- **Tax rate:** effective tax rate came high at 19.1%.
- **Dividend:** Dividend policy (buy-back or dividend) of up to 100% of stand-alone net profit has been maintained.

OPINION. Positive. Reported net profit came 8% stronger-than-anticipated. Revenues (+146% y/y, +93% q/q) were supported by PLN23.8m of success fee. Underlying revenues were growing 33% y/y slightly slower than average AUM (+37% y/y), amid somewhat negative change in assets mix. Higher costs (+72% y/y) should have been expected, given recognition of success fee. Cummulative success fee of PLN 23.8m in 2023 compares to PLN 17m in 9M23, i.e. PLN 6.8m in 4Q23 - it was comparable to 1Q23 i.e. best two quarters in 2023. Contribution from Xelion was positive and improving @ PLN 1.2m (+33% y/y).

Dividend – Positive: Management maintained that in the absence of investment goals, up to 100% of the stand-alone net profit (PLN 29.2m) may be dedicated to shareholders distribution in the form of a buy-back or dividend

Figure 1. QUERCUS TFI - Financial Data summary

Quercus TFI P&L (PLN m)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	q/q	y/y	Cons.	vs. Cons
Revenues	27.8	23.5	22.0	19.8	20.9	23.8	25.2	48.6	93%	146%	48.3	1%
EBIT	6.3	3.4	3.6	1.7	1.1	2.6	3.7	17.4	377%	929%	19.9	-12%
Net profit	4.5	3.3	2.9	3.5	3.3	4.0	4.7	19.0	308%	444%	17.5	8%

Source: Company, IPOPEMA Research

Teleconference with CEO Sebastian Buczek today @ 10:00AM CEST : [LINK](#)

Financials

QUERCUS TFI

U/R

Price as of 22 March 2024 PLN 6.90

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Figure 2. QUERCUS TFI - Financial Data summary

Quercus TFI P&L (PLN m)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	q/q	y/y	Cons.	vs. Cons	2022	2023	y/y
Revenues	27.8	23.5	22.0	19.8	20.9	23.8	25.2	48.6	93%	146%	48.3	1%	93.1	118.5	27%
Management fee	13.8	12.3	11.3	10.8	11.1	12.5	14.0	12.5	-11%	16%			48.1	50.0	4%
Success fee	0.0	0.0	0.0	1.2	0.0	0.0	0.0	23.8	n.m.	n.m.			1.2	23.8	n.m.
Distribution fee	11.7	11.2	9.9	8.9	9.8	11.3	11.2	12.4	10%	39%			41.7	44.6	7%
OPEX	21.5	20.2	18.4	18.1	19.8	21.2	21.5	31.1	45%	72%			78.1	93.7	20%
Distribution	11.5	9.9	8.5	7.4	8.8	10.0	10.1	10.6	4%	44%			37.3	39.5	6%
SG&A	10.0	10.3	9.9	10.7	11.1	11.2	11.4	20.5	80%	92%			40.8	54.2	33%
Net Other Income	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	377%	929%	19.9	-12%	14.9	24.7	66%
Net financial income	-0.9	0.7	0.1	2.8	3.1	2.6	2.5	6.4	160%	132%			2.8	14.6	427%
Gross profit	5.4	4.1	3.7	4.5	4.2	5.2	6.1	23.8	289%	435%			17.7	39.3	122%
Tax	0.9	0.7	0.6	0.7	0.8	1.0	1.3	4.5					3.0	7.6	151%
Minorities	0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.3					0.6	0.8	30%
Net profit	4.5	3.3	2.9	3.5	3.3	4.0	4.7	19.0	308%	444%	17.5	8%	14.1	31.0	120%
Key figures	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	q/q	y/y			2022	2023	y/y
Average AuM (PLN m)	4 234	3 585	3 155	2 969	3 129	3 296	3 653	4 073	11%	37%			2 969	4 073	47%
AuM (eop, PLN m)	3 874	3 280	2 957	3 054	3 187	3 441	3 821	4 409	15%	44%			3 054	4 409	54%
Management fee yield	1.31%	1.37%	1.43%	1.45%	1.42%	1.52%	1.53%	1.22%	-20%	-16%			1.62%	1.23%	-15%
Success fee* (PLN m)	0.0	0.0	0.0	1.2	6.8	4.5	5.7	6.8					1.2	23.8	
Distribution / revenues	41%	42%	39%	37%	42%	42%	40%	22%					40%	33%	
SG&A/ revenues	36%	44%	45%	54%	53%	47%	45%	42%					44%	46%	
Effective tax rate	17.0%	18.2%	16.5%	16.5%	19.0%	19.0%	20.8%	19.1%					17.1%	19.3%	

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	-	-	-