

## Quercus TFI

### **4Q23 net profit 14% above our estimates. FY2023 net profit at PLN 31m.**

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Quercus TFI released 4Q23 figures with the following highlights:

- **4Q23 net profit** of Quercus TFI came in at PLN 19.0m (vs. PLN 3.5m in 4Q22) and was 14% above our estimates (PLN 16.6m). On a reported basis earnings beat was driven mostly by better net financial income – we note though, that it was lifted by Capitea related bookings, that moved up also other operating costs. On an adjusted basis – earnings beat was driven by lower costs and slightly better revenues, while net financial income was slightly below our assumptions. Net impact of Capitea related bookings in 4Q23 was marginal.
- Total **revenues** in 4Q23 amounted to PLN 48.6m (146% y/y, 93% q/q) and were 1% above our expectations. Slightly better success fee was offset by lower than expected management fee. In 4Q23 share of low margin debt funds in total AUM came in at 51% on average (vs. 46% in 3Q23 and 43% in 4Q22). Revenues from purchased redemption orders went up 62% y/y (5% q/q).
- In 2023 **success fee** increased to **PLN 23.8m** (incl. PLN 2m from portfolio instruments), vs. PLN 17.1m provision after 3Q23 and vs. our estimates at PLN 23.0m in 2023 and PLN 21m in 4Q23 - we remind, that PLN 1.98m was already booked by the end of 3Q23.
- **Total costs** in 4Q23 came in at PLN 31.1m (72% y/y, 45% q/q) and were 4% above our estimates, but were inflated by provision related to Capitea. Distribution costs went up 44% y/y, staff costs increased 128% y/y, external services costs dropped -15% y/y and other costs increased 139% y/y.
- At the end of 4Q23 **AUM** of Quercus TFI came in at PLN 4,409 (44% y/y, 15% q/q). Y/y growth was driven by rising assets of QRS Ochrony Kapitału (82% y/y), QRS Agresywny (111% y/y) and QRS Dłużny Krótkoterminowy (110% y/y). Q/q growth of total assets was driven by rising AUM of QRS Ochrony Kapitału (14% q/q) and QRS Agresywny (50% q/q).
- In 4Q23 **net flows** to Quercus TFI amounted to PLN +261m (vs. PLN 331m in 3Q23 and vs. PLN -114m in 4Q22). In FY2023 net flows came in at PLN 693m vs. PLN -1,167m in 2022.
- **Teleconference** with CEO takes place today, March 22, at 11:00 via MS Teams [Kliknij tutaj, aby dołączyć do spotkania.](#)

#### **Our view: POSITIVE**

*4Q23 net profit of Quercus TFI came in at PLN 19m and was 14% above our expectations. The earnings beat (on adjusted basis) was driven by lower costs coupled with slightly better revenues. Success fee in FY 2023 came in at PLN 24m and was slightly better than we had assumed (we expected PLN 21m in 4Q23). We see the 4Q23 numbers as slightly positive with encouraging implications for incoming quarters. 4Q23 saw further strong growth of AUM (15% q/q) supported by solid rates of return of QRS's funds and positive net flows. Fund managers are being continuously helped by supportive market environment and are able to generate very solid rates of return of both equity- and debt-based products. In our earnings estimates we assume Quercus TFI to deliver FY 2024/25e net profit at PLN 28.4/25.7m. Beginning of 2024 was very good for Quercus as well - in Feb YTD AUM went up 11% and net flows came in at PLN 395m. If current trends are continued Quercus is very likely to beat our earnings expectations, at least for 2024e, we believe.*

**Quercus TFI – P&L, PLN mn**

	4Q22	1Q23	2Q23	3Q23	4Q23	y/y	q/q	Pekao	vs. Pekao
<b>Revenues</b>	<b>19.8</b>	<b>20.9</b>	<b>23.8</b>	<b>25.2</b>	<b>48.6</b>	<b>146%</b>	<b>93%</b>	<b>48.3</b>	<b>1%</b>
Total costs	-18.1	-19.8	-19.8	-21.5	-31.1	72%	45%	-29.8	4%
EBIT	1.7	1.1	2.6	3.7	17.4	929%	377%	18.4	-5%
EBITDA	2.6	2.0	3.5	4.6	17.8	576%	287%	19.4	-9%
Net financial income	2.8	3.1	2.6	2.5	6.4	132%	160%	2.3	178%
Pre-tax profit	4.5	4.2	5.2	6.1	23.8	435%	289%	20.7	15%
<b>Net profit</b>	<b>3.5</b>	<b>3.3</b>	<b>4.0</b>	<b>4.7</b>	<b>19.0</b>	<b>444%</b>	<b>308%</b>	<b>16.6</b>	<b>14%</b>
AUM eop	3 054	3 187	3 441	3 821	4 409	44%	15%		
AUM average	2 969	3 129	3 296	3 653	4 073	37%	11%		

Source: Company, Pekao Equity Research

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Michał Fidelus	Expert, Analyst	Quercus TFI	0			

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Valuation models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials, and on assumptions about the economy. Furthermore, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Our recommendations and target prices derived from the models might therefore change accordingly.

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BVPS – „Book Value per Share”.

FWD – „Forward” - stands for the ratio (eg. P/E) calculated on the basis of the expected results.

DPS – „Dividend per Share”.

DY – “Dividend Yield”, a ratio calculated as dividends per share divided by the current share price.

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