

Quercus TFI

3Q21E Results Preview

Quercus TFI is due to publish its 3Q21 results on 19th October

We expect 3Q21 net profit of PLN 4.1m (+15% q/q, +44% y/y), driven by:

- **AuM and yield:** Average AuM reached PLN 3,888m in the quarter (+9% q/q and +56% y/y). We estimate management fee yield will reach 1.85% in 3Q21. A positive trend in management fee should continue, given supportive change in asset mix towards higher yield funds.
- **Revenues:** As a result of abovementioned we estimate revenues from management fee amounted to PLN 18.0m (+12% q/q, +37% y/y).
- **OPEX:** We assume distribution costs to reach 8.7m (+13% q/q), which amounts to 48% of revenues i.e. similar to last quarter. Other OPEX is expected to reach PLN 4.6m (-4% q/q).

We assume no success fee to be booked this quarter, but given strong performance we believe that conditional revenues from success fee (potentially to be recognized in Q4) will improve from PLN 14.8m at the end of 2Q21 to PLN 16-18m at the end of 3Q21.

Figure 1. Financial Data summary

P&L	3Q20	2Q21	3Q21E	q/q	y/y	9M20	9M21E	y/y
Revenues	13.2	16.0	18.0	12%	37%	37.8	47.7	26%
Management fee	12.8	15.8	18.0	14%	41%	37.4	47.5	27%
Success fee	0.4	0.2	0.0			0.4	0.2	
OPEX	10.3	12.4	13.3	7%	29%	30.2	37.0	23%
Distribution	6.1	7.7	8.7	13%	42%	17.2	22.8	33%
SG&A	4.1	4.7	4.6	-4%	11%	12.9	14.2	10%
Net Other Income	-0.9	-0.8	0.0			-1.3	-1.6	
EBIT	2.0	2.8	4.7	70%	137%	6.3	9.1	44%
Net financial income	1.4	1.5	0.3			3.7	3.8	
Gross profit	3.4	4.2	5.0			10.0	12.9	29%
Tax	0.6	0.7	1.0			1.7	2.2	
Net profit	2.8	3.5	4.1	15%	44%	8.4	10.7	28%
Key figures	3Q20	2Q21	3Q21E	q/q	y/y	9M20	9M21E	y/y
Average AuM (PLN m)	2,490	3,561	3,888	9%	56%	2,436	3,530	45%
AuM (eop, PLN m)	2,605	3,806	3,943	4%	51%	2,605	3,943	51%
Management fee yield	2.05%	1.78%	1.85%	4%	-10%	2.05%	1.79%	-12%
Distribution / revenues	47%	48%	48%			46%	48%	
SG&A/ revenues	31%	29%	25%			34%	30%	
Effective tax rate	17.1%	17.0%	19.0%			16.7%	17.2%	

Source: Company, IPOPEMA Research

Financials

QUERCUS TFI

BUY

FV PLN 6.63

51% upside

Price as of 7 October 2021 PLN 4.38

Analyst

Marta Czaikowska-Bałyga
 marta.czaikowska@ipopema.pl
 + 48 22 236 92 31

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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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	Number	%
Buy	19	76%
Hold	6	24%
Sell	0	0%
Total	25	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