

Quercus TFI

1Q20 Results Review

1Q20 net profit reached PLN 2.7m (+21% y/y), driven by:

- **AuM yield:** Management fee yield reached 2.06% vs. 2.13% in previous quarter.
- **Revenues:** Management fee dropped by 5% q/q to PLN 13.1m (-1% y/y). No revenues from success fee were booked in the quarter.
- **OPEX:** Distribution costs reached PLN 6.1m, what constituted for 46% of revenues, down from 48% a year ago.
- **Net other income** includes PLN 0.6m reversal of provisions for GetBack bonds.
- As of end of 1Q20 Quercus TFI had PLN 46.8m of **cash and equivalents** and PLN 30.7m of **financial assets**.
- **Effective tax rate** was 15%, lower than statutory as reversal of provision was likely non-taxable item.
- Conditional receivables from **success fee** amounted to PLN 1.0m as of end of 1Q20.

Teleconference with CEO Sebastian Buczek today

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Time: 15:00 (change from 14:00 set initially)

Figure 1. Summary of Financial Data

P&L	1Q19	2Q19	3Q19	4Q19	1Q20	q/q	y/y
Revenues	13.2	13.4	14.1	20.3	13.1	-35%	-1%
Management fee	13.2	13.4	14.1	13.7	13.1	-5%	-1%
Success fee	0.0	0.0	0.0	6.6	0.0		
Distribution fee	0.0	0.0	0.0	0.0	0.0		
OPEX	10.6	9.0	10.9	9.7	10.6	10%	0%
Distribution	6.3	6.4	6.5	4.1	6.1	47%	-4%
SG&A	4.3	2.6	4.3	5.5	4.5	-18%	5%
Net Other Income	-1.3	0.0	0.0	0.0	0.6		
EBIT	1.3	4.4	3.3	10.6	3.1	-70%	144%
Net financial income	1.5	-1.7	0.2	3.7	0.1		
Gross profit	2.8	2.7	3.5	14.4	3.2		
Tax	0.5	0.5	0.7	2.0	0.5		
Net profit	2.3	2.1	2.8	12.4	2.7	-78%	21%

Key figures	1Q19	2Q19	3Q19	4Q19	1Q20	q/q	y/y
Average AuM (PLN m)	2 521	2 434	2 539	2 584	2 543	-2%	1%
AuM (eop, PLN m)	2 471	2 469	2 544	2 638	2 152	-18%	-13%
Management fee yield	2.09%	2.20%	2.23%	2.13%	2.06%	-3%	-2%
Success fee* (PLN m)	4.4	0.1	1.6	0.1	1.0		
Distribution / revenues	48%	48%	46%	20%	46%		
SG&A/ revenues	33%	20%	31%	27%	35%		
Effective tax rate	18.6%	20.4%	19.4%	13.8%	15.0%		

Source: Company, IPOPEMA Research

Financials

Quercus TFI

Not rated

Price as of 17 Apr 2020 PLN 2.58

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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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