

Quercus TFI

1Q22 Results Review

Quercus TFI reported PLN 4.45m (+22% y/y) consolidated net profit in 1Q22, driven by:

- **AuM yield:** Management fee yield reached 1.31% vs. 1.45% year ago (effect of reduced maximum fees in Poland and change in asset mix). Higher than we expected @ 1.13%.
- **Average AuM** reached PLN 4,234m in the quarter (+33% y/y).
- **Revenues:** Reached PLN 25.6m (+121% y/y) in 1Q22, this includes PLN 13.8m (+19% y/y) in assets management segment, above our expectations of PLN 12m (+15% y/y), and PLN 11.7m in distribution fee.
- **OPEX:** Distribution costs reached PLN 11.5m what constituted for 45% of revenues up from 37% a year ago. SG&A costs reached PLN 7.9m (+191% y/y) and came above expectations.
- **Success fee:** No success fee has been recognised in 1Q22.
- **Xelion contribution:** Revenues PLN 13.5m, net profit PLN 0.5m (+40% y/y) in 1Q22, but this includes sale of 25% shares to key management and advisors, flagged in March.
- **Xelion AUM** - Investment funds and other financial instruments PLN 4.0bn (-1% ytd), Asset management PLN 1.18 bn (+1% ytd)
- **Dividend:** Dividend policy (buy-back or dividend) of up to 100% of stand-alone net profit (PLN 22.3m) has been maintained

***OPINION. Neutral.** Net profit came strong, but it was 5% off our expectations of PLN 4.7bn. Revenues came above expectations in both segments, but so did costs, especially SG&As. Quercus TFI has also booked PLN 0.9m net loss on financial operations. Contribution from Xelion was positive @ PLN 0.5m (+40% y/y).*

Teleconference with CEO Sebastian Buczek today

Time: 15:00

Link: [LINK](#)

Figure 1. Financial Data summary

Quercus TFI P&L (PLN m)	1Q21	1Q22	y/y	lpop	vs. lpo
	cons.	cons.		cons.	
Revenues	11.6	25.6	121%	18.5	38%
Management fee	11.6	13.8	19%	12.0	15%
Success fee	0.0	0.0		0.5	
Distribution fee	0.0	11.7		6.0	
OPEX	7.0	19.4	175%	11.7	66%
Distribution	4.3	11.5	166%	5.8	99%
SG&A	2.7	7.9	191%	5.9	33%
Net Other Income	-2.4	0.1		0.0	
EBIT	2.1	6.3	194%	6.8	-7%
Gross profit	4.2	5.4	30%	5.8	-6%
Tax	0.5	0.9		1.1	-16%
Minorities		0.1		0.0	
Net profit	3.7	4.5	22%	4.7	-5%

Source: Company, IPOPEMA Research

Financials

QUERCUS TFI

U/R

Price as of 21 April 2022 PLN 3.76

Analyst

Marta Czajkowska-Bałyga
 marta.czajkowska@ipopema.pl
 + 48 22 236 92 31

Figure 2. Financial Data summary

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Net profit	3.7	4.5	22%	4.7	-5%
Segments					
Assets management		4.2			
Distribution		0.5			
Other		-0.2			
Key figures	1Q21	1Q22	y/y	1Q22	
Average AuM (PLN m)	3 190	4 234	33%	4 234	
AuM (eop, PLN m)	3 448	3 874	12%	3 874	
Management fee yield	1.45%	1.31%	-10%	1.13%	
Distribution / revenues	37%	45%		34%	
SG&A/ revenues	23%	31%		24%	
Effective tax rate	13.0%	17.0%		19.0%	

Source: Company, IPOPEMA Research

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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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Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (January 1 - March 31, 2022)

	Number	%
Buy	12	71%
Hold	3	18%
Sell	2	12%
Total	17	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	-	-	-