

## Quercus TFI

### Adjusted 1Q21 net profit broadly in line with expectations.

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Quercus TFI released 1Q22 figures with the following highlights:

- **1Q22 net profit** of Quercus TFI came in at PLN 4.5m (43% r/r) and was 18% above our estimates (PLN 3.8m). The earnings beat was driven by higher revenues lifted by increased other operating income on the back of release of provisions (PLN 2.1m) what was partly offset by higher financial costs (PLN -0.9m due to loss on investments). Adjusted (by the two items) net profit was broadly in line with our estimates.
- **Fixed fee** in 1Q22 amounted to PLN c. 13.8m (19% Yoy) and was below our expectations. We remind that fixed fee was additionally limited by 2.0% cap starting in Jan'22. In 1Q22 share of low margin debt funds in total AUM increased to 51% on average (vs. 48% in 4Q21).
- At the end of 1Q22 **AUM** of Quercus TFI amounted to PLN 3,874m (12% y/y, -13% q/q). Y/y growth was driven by rising assets of QRS Global Balanced (122% y/y), QRS Agresywny (24% y/y) and QRS Stabilny (138% y/y) only partly offset by declining AUM of QRS Obligacji Skarbowych (-26% y/y). Quarterly drop of AUM was driven by lower assets of QRS Global Balanced (-20% q/q), QRS Agresywny (-23% q/q), QRS Dłużny Krótkoterminowy (-20% y/y) and Obligacji Skarbowych (-22% y/y).
- After very strong 2021, with **net flows** at PLN +1.3bn and still decent Jan'22 (PLN +44m), Feb'22 and Mar'22 saw material deterioration with outflows at PLN -91m and PLN -351m, respectively. In March, more than 80% of outflows took place from debt funds: QRS Ochrony Kapitału (PLN -125m), QRS Dłużny Krótkoterminowy (PLN -128m) and QRS Obligacji Skarbowych (PLN -40m).
- 1Q22 was a first full quarter of **consolidation of DI Xelion** (vs. two months in 4Q21)
- **Teleconference** with CEO takes place today, April 22, at 15:00 via MS Teams.

#### Our view: NEUTRAL

1Q22 reported net profit of Quercus TFI came in at PLN 4.5m and was 18% above our estimates (PLN 3.8m). Adjusted net profit (by additional items incl. increased other operating income and financial costs) was broadly in line with our estimates. Fixed fee, although slightly lower than expected, increased 19% y/y supported by still decent average AUM. We remind, that fixed fee was additionally limited by 2.0% cap starting in Jan'22. While 1Q22 numbers are relatively solid, environment for future quarters remains demanding, in our view. Fund managers are facing not only a cap on fixed fee, but also ESMA regulations, more difficult equity markets and possible further outflows from bond funds due to still negative rates of returns.

#### Quercus TFI – P&L, PLN mn

	1Q21	2Q21	3Q21	4Q21	1Q22P	y/y	Pekao	vs. Pekao
Revenues	13.7	16.0	18.4	37.2	27.8	103%	22.1	26%
Fixed fee	11.6	16.0	18.4	18.9	13.8	19%	15.5	-11%
Total costs	-8.6	-9.6	-10.4	-19.6	-21.5	149%	-14.6	47%
EBIT	1.6	2.8	5.3	14.6	6.3	295%	4.7	35%
<b>Net profit</b>	<b>3.1</b>	<b>3.5</b>	<b>4.1</b>	<b>11.6</b>	<b>4.5</b>	43%	<b>3.8</b>	18%
AUM eop	3 448	3 806	3 943	4 438	3 874	12%		
AUM average	3 207	3 561	3 888	4 108	4 234	32%		

Source: Company, Pekao Equity Research

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