

# Quercus TFI

## 3Q22 Results Review

Quercus TFI reported PLN 2.9m (-11% q/q, -29% y/y) consolidated net profit in 3Q22, slightly below our forecast of PLN 3.0m. This was driven by:

- **AuM yield:** Management fee yield reached 1.43% vs. 1.55% year ago (effect of reduced maximum fees in Poland). Broadly in line with our expectations @ 1.45%.
- **Average AuM** reached PLN 3,155m in the quarter (-19% y/y, -12% q/q).
- **Revenues:** Reached PLN 22.0m (-6% q/q, +43% y/y) in 3Q22, this includes PLN 11.3m (-8% q/q, -25% y/y) in assets management segment, below our expectations of PLN 11.4m, and PLN 9.9m (-11% q/q) in distribution fee vs our expectations of PLN 10.1m.
- **OPEX:** Distribution costs reached PLN 8.5m (-14% q/q, +59% y/y) and came 8% below expectations. This constituted for 39% of revenues up from 35% a year ago, but down from 42% in last quarter. SG&A costs reached PLN 9.9m (+22% q/q and +111% y/y) and came 11% above expectations.
- **Success fee:** Potential success fee amount to PLN 2.8m in 9M22, but none of this has been recognised in the results.
- **Xelion contribution:** Revenues came at PLN 11.3m (-10% q/q), while net profit at PLN 0.8m (+100% q/q) in 3Q22. YTD net profit at PLN 1.7m (+26% y/y)
- **Xelion AUM** - Investment funds and other financial instruments PLN 3.3bn (-18% ytd), Asset management PLN 1.2bn (+3% ytd).
- **Tax rate:** effective tax rate came at 16.5% vs 19% expected.
- **Dividend:** Dividend policy (buy-back or dividend) of up to 100% of stand-alone net profit has been maintained.

***OPINION. Neutral.** Reported net profit came slightly below our expectations but results were affected by negative Getback debt valuation of PLN 0.3m. Revenues came in line with expectations lower on both management and distribution fees, but this should be widely expected, given declining AUM (-19% y/y and -12% q/q). Costs (+83% y/y) came also broadly in line with expectations, with mixed performance of higher SG&A amid lower distribution costs. Quercus TFI reported potential success fee PLN 2.8m in 3Q22, but none of it was recognised in P&L. Contribution from Xelion was positive @ PLN 0.8m (+100% q/q).*

Teleconference with CEO Sebastian Buczek today @ 2:00 CEST Link: [LINK](#)

Financials

## QUERCUS TFI

### U/R

Price as of 20 October 2022 PLN 2.77

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Figure 1. Financial Data summary

Quercus TFI P&L (PLN m)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	q/q	y/y	lpop	vs. lpo
<b>Revenues</b>	<b>11,6</b>	<b>13,3</b>	<b>15,3</b>	<b>42,8</b>	<b>25,6</b>	<b>23,4</b>	<b>22,0</b>	<b>-6%</b>	<b>43%</b>	<b>22,0</b>	<b>0%</b>
Management fee	11,6	13,3	15,0	14,4	13,8	12,3	11,3	-8%	-25%	11,4	-1%
Success fee	0,0	0,2	0,3	17,7	0,0	0,0	0,0	n.m.	n.m.	0,0	
Distribution fee	0,0	0,0	0,0	9,6	11,7	11,1	9,9	-11%	n.m.	10,1	-2%
<b>OPEX</b>	<b>7,0</b>	<b>7,9</b>	<b>10,1</b>	<b>32,5</b>	<b>19,4</b>	<b>18,0</b>	<b>18,4</b>	<b>2%</b>	<b>83%</b>	<b>18,2</b>	<b>1%</b>
Distribution	4,3	5,0	5,4	9,4	11,5	9,9	8,5	-14%	59%	9,3	-8%
SG&A	2,7	2,9	4,7	23,2	7,9	8,1	9,9	22%	111%	8,9	11%
<b>EBIT</b>	<b>2,1</b>	<b>2,8</b>	<b>5,3</b>	<b>15,3</b>	<b>6,3</b>	<b>3,4</b>	<b>3,6</b>	<b>7%</b>	<b>-32%</b>	<b>3,8</b>	<b>-6%</b>
<b>Gross profit</b>	<b>4,2</b>	<b>4,3</b>	<b>5,1</b>	<b>16,9</b>	<b>5,4</b>	<b>4,1</b>	<b>3,7</b>	<b>-9%</b>	<b>-28%</b>	<b>3,7</b>	<b>0%</b>
Tax	0,5	0,7	1,0	3,1	0,9	0,7	0,6			0,7	-13%
Minorities					0,1	0,1	0,2			0,2	
<b>Net profit</b>	<b>3,7</b>	<b>3,5</b>	<b>4,1</b>	<b>13,8</b>	<b>4,5</b>	<b>3,3</b>	<b>2,9</b>	<b>-11%</b>	<b>-29%</b>	<b>3,0</b>	<b>-4%</b>
<b>Key figures</b>	<b>1Q21</b>	<b>2Q21</b>	<b>3Q21</b>	<b>4Q21</b>	<b>1Q22</b>	<b>2Q22</b>	<b>3Q22</b>	<b>q/q</b>	<b>y/y</b>	<b>3Q22E</b>	
Average AuM (PLN m)	3 190	3 561	3 888	4 108	4 234	3 585	3 155	-12%	-19%	3 155	
AuM (eop, PLN m)	3 448	3 806	3 943	4 438	3 874	3 280	2 957	-10%	-25%	2 957	
Management fee yield	1,45%	1,50%	1,55%	1,40%	1,31%	1,37%	1,43%	4%	-8%	1,45%	
Distribution / revenues	37%	38%	35%	22%	45%	42%	39%			42%	
SG&A/ revenues	23%	21%	31%	54%	31%	35%	45%			40%	
Effective tax rate	13,0%	17,2%	19,9%	18,4%	17,0%	18,2%	16,5%			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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#### IPOPEMA Research - Distribution by rating category (April 1 – June 30, 2022)

	Number	%
Buy	17	71%
Hold	5	21%
Sell	2	8%
Total	24	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	-	-	-