

Quercus TFI

3Q22 net profit above our expectations

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Quercus TFI released 3Q22 figures with the following highlights:

- **3Q22 net profit** of Quercus TFI came in at PLN 2.9m (-29% y/y, -11% q/q) and was 24% above our estimates (PLN 2.4m). Earnings beat was driven by better than expected revenues (11% above our estimates) that were only partly offset by higher costs (3% above our forecasts).
- **Fixed fee** in 3Q22 amounted to PLN 11.3m (-8% q/q) and was broadly in line with our expectations (4% above). We remind that starting in Jan'22 fixed fee was additionally limited by 2.0% cap. In 3Q22 share of low margin debt funds in total AUM increased to 48% on average (from 47% in 2Q22). Quercus informed that potential **success fee** at the end of 3Q22 amounted to PLN 2.8m
- **Total costs** in 3Q22 came in at PLN 18.4m (-9% q/q) and were 3% above our estimates. Distribution costs dropped -14% q/q, staff costs declined -5% q/q and external services costs decreased -4% q/q. Other costs remained broadly flat q/q.
- At the end of 3Q22 **AUM** of Quercus TFI decreased to PLN 2,957m (-25% y/y, -10% q/q). Y/y drop was predominantly driven by declining assets of QRS Ochrony Kapitału (-41% y/y), QRS Dłużny Krótkoterminowy (-49% y/y), QRS Agresywny (-53% q/q) and QRS Global Balanced (-29% y/y). The drops were only partly offset by rising assets of QRS Obligacji Skarbowych (25% y/y) or Acer Aggressive FIZ (90% y/y). Similar trends were observed on a quarterly basis with declining AUM of QRS Ochrony Kapitału (-29% q/q), QRS Global Balanced (-12% q/q) and QRS Agresywny (-18% q/q) and rising assets of QRS Obligacji Skarbowych (19% q/q), but also QRS Stabilny (15% q/q).
- In 3Q22 **net flows** to Quercus TFI amounted to PLN -350m (vs. PLN -304m in 2Q22 and vs. PLN +1,302m in FY 2021). YTD net flows came in at PLN -1,052m.
- **Teleconference** with CEO takes place today, October 21, at 14:00 via MS Teams.

Our view: SLIGHTLY POSITIVE

3Q22 reported net profit of Quercus TFI came in at PLN 2.9m and was above our estimates (PLN 2.4m) mainly due to better than assumed performance of Xelion (9M net profit of PLN 1.7m or PLN 0.8m in 3Q22). Despite difficult market conditions the company managed to report provision for success fee (PLN 2.8m). We see the numbers as encouraging, but we point, that environment for incoming remains demanding, in our view. 3Q22 was the third quarter in a row with heavy outflows (as well in Quercus as in the market). This, coupled with drops in stock markets and rising bond yields resulted in materials drop of AUM (-25% y/y, -10% q/q). Fund managers are facing not only a cap on fixed fee, but also difficult equity markets, ESMA regulations and very strong competition from banking deposits and retail treasury bonds. We hope for some improvement in bond market and positive flows to bond-based funds.

Quercus TFI – P&L, PLN mn

	3Q21	4Q21	1Q22	2Q22	3Q22	y/y	q/q	Pekao	vs. Pekao
Total revenues	18.4	37.2	27.8	23.5	22.0	20%	-7%	19.9	11%
Fixed fee	18.4	18.9	13.8	12.3	11.3	-39%	-8%	10.9	4%
Total costs	-10.4	-19.6	-21.5	-20.2	-18.4	77%	-9%	-17.9	3%
EBIT	5.3	14.6	6.3	3.4	3.6	-32%	7%	2.0	79%
Net profit	4.1	11.0	4.5	3.3	2.9	-29%	-11%	2.4	24%
AUM eop	3 943	4 438	3 874	3 283	2 957	-25%	-10%		
AUM average	3 888	4 108	4 234	3 586	3 156	-19%	-12%		

Source: Company, Pekao Equity Research

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