

Quercus TFI

Taking advantage of supportive environment

We lift our 12M TP for Quercus TFI to PLN 6.7/share and maintain our Buy rating. Despite strong share price performance in recent months QRS's trading multiples are still not rich, we believe, given healthy EPS outlook and sustainable dividends/buy-back. In the same time the company delivered impressive AUM growth (44% y/y in 2023) supported by PLN 693m positive net flows and strong performance of managed investment funds. We expect strong 4Q23 numbers to be followed by still solid 2024e.

Strong 4Q23e results... – 4Q23 saw further growth of AUM (15% q/q) supported by continuously strong rates of return of QRS's funds and high inflows. As a result, 4Q23 numbers shall be driven not only by rising management fee, but also by very high success fee. We expect the company's 4Q23 net profit to reach PLN 16.6m (up 122% y/y).

...followed by encouraging 2024e – Better than expected AUM growth coupled with higher than assumed inflows and strong rates of returns of managed investment funds prompted us to lift our AUM estimates by 7/4% in 2024/25e. This, coupled with increased success fee expectations and minor changes in opex and net financial income forecasts, prompted us to lift our net profit estimates by 37% in 2024e (to PLN 28.4m) and by 28% in 2025e (to PLN 25.7m).

Rising AUM, strong inflows – In Jan'24 AUM of Quercus TFI increased 45% y/y (4% m/m) and inflows reached PLN 158m (vs. PLN 693m in 2023). We believe, that good equity and bond market environment coupled with high rates of return of managed funds will continue to support further inflows and AUM growth.

Earnings distribution – Quercus TFI used to distribute almost 100% of its earnings as a dividend/buy-back. From 2023/24e earnings we expect 95% dividend payout/buy-back implying healthy 8.7% yield.

Multiples still not rich – At our estimates Quercus TFI is trading at 11.2/12.4x 2024e P/E, with 14% discount and 4% premium to peers, respectively. Sustainable dividends and healthy EPS outlook make current valuation still far from rich, we believe.

Key risks – Regulatory risk, dependence on market developments and investment results are key risks to our valuation and estimates.

Quercus TFI - Key figures, 2021-2026e

PLNm unless otherwise stated

	2021	2022	2023e	2024e	2025e	2026e
Revenues	83.0	93.1	118.2	130.9	133.5	134.5
EBITDA	27.1	19.2	29.5	32.7	30.8	28.5
Net profit	25.1	14.1	28.6	28.4	25.7	23.1
- y/y change (%)	40%	-44%	103%	-1%	-9%	-10%
Dividend yield/buy-back (%)	5.3%	6.8%	4.0%	8.7%	8.7%	7.9%
P/E (x)	13.5	23.2	11.2	11.2	12.4	13.8
P/BV	3.8	4.0	3.3	3.2	3.3	3.3

Source Company, Pekao Equity Research

Buy (update)

Target price

PLN 6.7

Upside to TP

+16%

Price on 14 February 2024

PLN 5.78

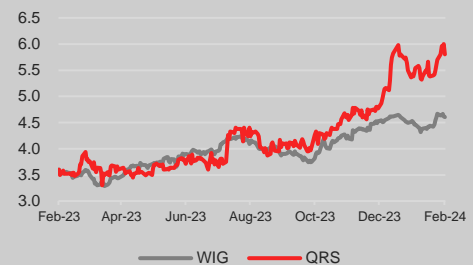
ESG rating

B

Final ESG Score

1.14

Relative share price performance vs. WIG



UPCOMING EVENTS

4Q23 results 22 March

STOCK DATA

Bloomberg QRS PW
 Free float (%) 42.3
 Market capitalization (PLNm) 319
 Diluted no. of shares (mn) 55.2

Shareholders
 Sebastian i Anna Buczek 18.2%
 Jakub Głowacki 17.1%
 Betpay Capital Sp. z o.o. 9.3%
 OFE NN 7.2%
 Q1 FIZ 5.9%
 Other 42.3%

Michal Fidelus

michal.fidelus@pekao.com.pl

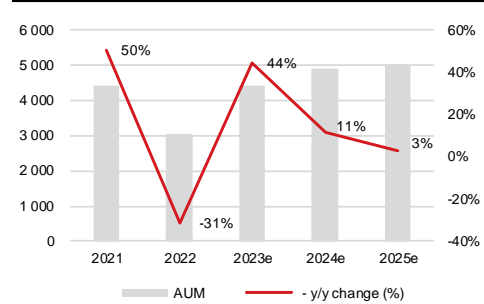
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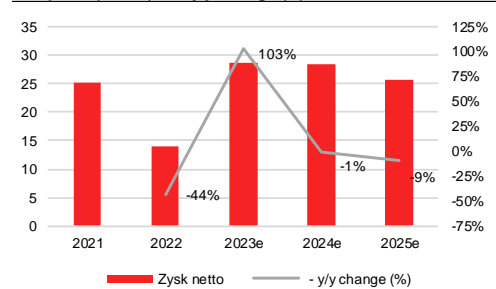
Key financials

P&L	2021	2022	2023e	2024e	2025e	2026e
Revenues	83.0	93.1	118.2	130.9	133.5	134.5
- Management fee	54.1	47.4	51.8	68.5	72.1	73.7
- Purchase/redemption orders	7.8	39.0	41.8	45.5	45.6	46.1
Expenses	-57.5	-78.1	-92.4	-102.3	-106.9	-110.4
Distribution costs	-24.0	-37.3	-39.9	-46.9	-48.0	-47.9
Staff costs	-19.2	-20.8	-29.4	-30.5	-32.9	-35.9
External services	-2.5	-6.1	-6.3	-6.9	-7.5	-7.8
Other operating costs	-10.2	-9.6	-13.1	-13.9	-14.3	-14.5
D&A	-1.6	-4.3	-3.7	-4.1	-4.2	-4.4
EBIT	25.6	14.9	25.7	28.6	26.6	24.1
EBITDA	27.1	19.2	29.5	32.7	30.8	28.5
Net financial income	5.0	2.8	10.5	7.4	6.1	5.4
Pre-tax profit	30.5	17.7	36.2	36.0	32.7	29.5
Income tax	-5.4	-3.0	-7.0	-6.8	-6.2	-5.6
Net profit	25.1	14.7	29.2	29.2	26.5	23.9
Net profit for majority shareholders	25.1	14.1	28.6	28.4	25.7	23.1
Balance sheet	2021	2022	2023e	2024e	2025e	2026e
Tangible assets	4.7	5.9	5.7	5.4	5.3	5.2
Financial assets	66.9	72.9	75.1	78.6	83.5	90.3
Fixed assets	82.0	88.1	90.1	93.4	98.0	104.8
Receivables	29.7	10.9	10.9	10.9	10.9	10.9
Cash & equivalents	80.7	58.2	72.8	72.4	66.2	59.0
Current assets	114.2	69.9	84.6	84.2	77.9	70.7
Total assets	196.2	158.0	174.7	177.5	175.9	175.5
Equity for majority shareholders	89.6	81.1	97.7	99.1	97.9	96.6
Provisions for liabilities	15.1	15.1	15.4	15.7	15.5	15.7
Leasing	1.3	3.1	3.1	3.1	3.1	3.1
Long-term liabilities	16.7	18.7	19.0	19.3	19.1	19.3
Trade liabilities	2.7	3.8	3.8	3.8	3.8	3.8
Liabilities to customers	68.9	39.8	39.4	40.4	40.0	40.5
Short-term liabilities	89.9	53.0	52.7	53.9	53.7	54.3
Equity and liabilities	196.2	158.0	174.7	177.5	175.9	175.5
Cash flow	2021	2022	2023e	2024e	2025e	2026e
Net profit	25.1	14.7	28.6	28.4	25.7	23.1
D&A	1.6	4.3	3.7	4.1	4.2	4.4
Financial expenses	0.3	0.2	0.5	0.8	0.1	0.1
Other	-14.2	-20.3	0.6	2.1	0.2	1.5
Operating cash flow	12.8	-1.1	33.4	35.4	30.3	29.1
Proceeds from financial assets sales	15.0	7.9	5.0	5.0	5.0	5.0
Capex	-0.7	-1.5	-2.1	-2.3	-2.5	-2.8
Financial assets spending	-21.0	-5.7	-7.0	-8.4	-9.7	-11.7
Investing cash flow	49.4	3.4	-5.6	-7.2	-8.8	-11.0
Shares issue	22.5	0.0	0.0	0.0	0.0	0.0
Dividend/buy-back	-17.9	-22.3	-12.6	-27.8	-27.7	-25.2
Other	-0.8	-2.5	-0.5	-0.8	-0.1	-0.1
Financial cash flow	3.8	-24.9	-13.1	-28.6	-27.8	-25.3
Cash at the beginning of period	14.8	80.7	58.2	72.8	72.4	66.2
Cash at the end of period	80.7	58.2	72.8	72.4	66.2	59.0
Key data	2021	2022	2023e	2024e	2025e	2026e
AUM (PLNm)	4 438	3 054	4 409	4 915	5 044	5 119
- y/y change (%)	50%	-31%	44%	11%	3%	1%
Average AUM (PLNm)	3 682	3 512	3 551	4 662	4 979	5 081
- y/y change (%)	48%	-5%	1%	31%	7%	2%
ROE (%)	28%	17%	32%	29%	26%	24%
ROA (%)	18%	8%	17%	16%	15%	13%
Net profit margin (%)	30%	15%	24%	22%	19%	17%
Margin on average AUM (%)	0.7%	0.4%	0.8%	0.6%	0.5%	0.5%
Dividend payout/buy-back ratio	100%	89%	86%	95%	95%	95%
Dividend yield (%)	5.3%	6.8%	4.0%	8.7%	8.7%	7.9%
Number of shares (m)	58.8	56.5	55.2	55.2	55.2	55.2
P/E (x)	13.5	23.2	11.2	11.2	12.4	13.8
P/BV (x)	3.8	4.0	3.3	3.2	3.3	3.3

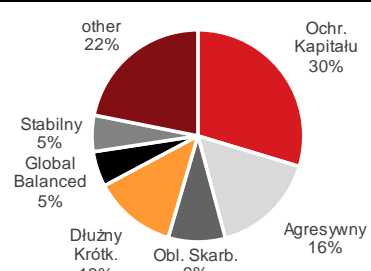
AUM (PLNm) and y/y change (%)



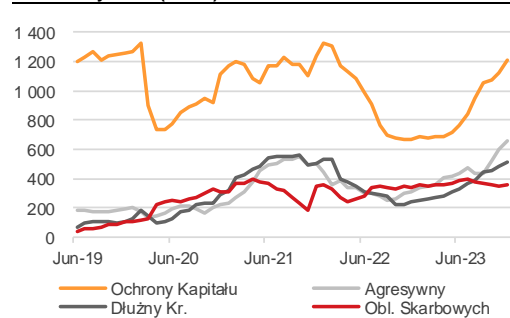
Net profit (PLNm) and y/y change (%)



AUM structure (%), Aug'23



AUM of key funds (PLNm)



Key risks to our forecasts and estimates:

1) Dependence on market developments – Negative market performance or unexpected turbulence may have negative impact on rates of return of managed funds, flows and company's revenues, 2) Risk of high interest rates – If interest rates in Poland are higher for longer, clients may stay with banks/Treasury bonds instead of shifting to investment funds, 3) Risk of weak performance of funds – Negative or weak rates of return of managed funds may result in outflow of funds and drop of AUM, 4) Regulatory risk – We point at a risk of new regulations that may limit fund management business, 5) Distribution risk – Changes in external distribution channels may negatively affect flows to Quercus TFI's funds and company's financial results, 6) Key fund managers leave risk – We point at risk of deterioration of rates of return if key fund managers decide to leave the company.

* From year's earnings; Source: Company, Pekao Equity Research



4Q23e results preview

4Q23 saw further growth of AUM (15% q/q) supported by continuously strong rates of return of QRS's funds and high inflows. As a result, 4Q23 numbers shall be driven not only by rising management fee, but also by very high success fee. As a result, we expect Quercus to deliver PLN 16.6m net profit in 4Q23 (up 122% y/y) and PLN 28.6m in FY 2023 (+103% y/y).

- At the end of 4Q23 **AUM** of Quercus TFI came in at PLN 4,409 (44% y/y, 15% q/q). Y/y growth was driven by rising assets of QRS Ochrony Kapitału (82% y/y), QRS Agresywny (111% y/y) and QRS Dłużny Krótkoterminowy (110% y/y). Q/q growth of total assets was driven by rising AUM of QRS Ochrony Kapitału (14% q/q) and QRS Agresywny (50% q/q).
- In 4Q23 **net flows** to Quercus TFI amounted to PLN +261m (vs. PLN 331m in 3Q23 and vs. PLN -114m in 4Q22). In FY2023 net flows came in at PLN 693m vs. PLN -1,167m in 2022.
- In 4Q23 we expect **management fee** to improve to PLN 15.6m (12% q/q) supported by rising average AUM (37% y/y, 11% q/q). We assume average margin on AUM to go slightly up to 1.50% (from 1.49% in 3Q23). We expect also PLN 21m success (vs. PLN 17.1m of provision in 9M23).
- Given higher **opex** (39% q/q negatively affected by increased staff costs) and slightly lower net financial income, we arrive at **net profit** at PLN 16.6m (257% q/q).

Quercus TFI – Financial results, 4Q22-4Q23e

PLNm unless otherwise stated

	4Q22	1Q23	2Q23	3Q23	4Q23e	y/y	q/q
Revenues	19.8	20.9	23.8	25.2	48.3	144%	92%
EBIT	6.1	1.1	2.6	3.7	18.4	204%	404%
EBITDA	7.0	2.0	3.5	4.6	19.4	178%	324%
Net financial income	2.8	3.1	2.6	2.5	2.3	-17%	-7%
Pre-tax profit	8.8	4.2	5.2	6.1	20.7	135%	239%
Net profit	7.5	3.3	4.0	4.7	16.6	122%	257%
AUM eop	3 054	3 187	3 441	3 821	4 409	44%	15%
AUM average	2 969	3 129	3 296	3 653	4 073	37%	11%

Source: Company, Pekao Equity Research estimates

Quercus TFI – AUM, 4Q22-4Q23e

PLNm unless otherwise stated

	4Q22	1Q23	2Q23	3Q23	4Q23	y/y	q/q
QRS Ochrony Kapitału	663	684	762	1 054	1 204	82%	14%
QRS Agresywny	311	354	431	438	656	111%	50%
QRS Dłużny Krótkoterminowy	246	271	328	447	516	110%	15%
QRS Obligacji Skarbowych	342	363	385	367	354	4%	-4%
QRS Global Balanced	258	247	228	226	218	-15%	-3%
QRS Stabilny	181	203	213	208	225	24%	9%
Alphaset FIZ	142	145	161	176	184	30%	5%
Other	911	920	933	905	1 051	15%	16%
Total	3 054	3 187	3 441	3 821	4 409	44%	15%

Source: Company, Pekao Equity Research estimates

Changes to 2024-25e estimates

Better than expected AUM growth coupled with higher than assumed inflows to funds and strong rates of returns of managed investment funds prompted us to lift our AUM estimates by 7% in 2024e and by 4% in 2025e. This, coupled with better than expected success fee and slightly higher opex forecasts, prompted us to lift our net profit estimates by 37% in 2024e (to PLN 28.4m) and by 28% in 2025e (to PLN 25.7m).

- Better than expected AUM growth in recent months coupled with higher than assumed inflows to funds and strong rates of returns of managed investment funds prompted us to lift our AUM estimates by 7% in 2024e and by 4% in 2025e. This, coupled with increased success fee forecasts made us increased our revenues estimates by 10/7% in 2024/25e.
- With slightly higher opex forecasts we lift our EBITDA estimates by 44/31% in 2024/25e. Given no major changes to our net financial income estimates we arrive at net profit at PLN 28.4m in 2024e (up 37%) and at PLN 25.7m in 2025e (up 28%).

Quercus TFI – Changes to 2023-2025e earnings estimates

PLNm unless otherwise stated

	2023e			2024e			2025e		
	Previous	Current	Change (%)	Previous	Current	Change (%)	Previous	Current	Change (%)
Revenues	109.3	118.2	8%	119.4	130.9	10%	125.0	133.5	7%
Costs	-89.5	-92.4	3%	-100.4	-102.3	2%	-105.3	-106.9	2%
EBIT	19.8	25.7	30%	19.0	28.6	50%	19.7	26.6	35%
EBITDA	23.4	29.5	26%	22.7	32.7	44%	23.5	30.8	31%
Net financial income	10.3	10.5	2%	7.4	7.4	1%	6.1	6.1	1%
Pre-tax profit	30.0	36.2	21%	26.4	36.0	37%	25.7	32.7	27%
Net profit	24.3	29.2	20%	21.3	29.2	37%	20.8	26.5	27%
Net profit to maj. shareholders	23.7	28.6	21%	20.7	28.4	37%	20.2	25.7	28%
AUM (eop)	3 911	4 409	13%	4 603	4 915	7%	4 827	5 044	4%
AUM (average)	3 482	3 551	2%	4 257	4 662	10%	4 715	4 979	6%

Source: Company, Pekao Equity Research estimates



Recent events

Consolidation proposal from Quercus TFI

In mid-Jan'24 Puls Biznesu daily informed, that Quercus TFI proposed a consolidation offer (through acquisition) for Skarbiec TFI and Esaliens TFI. According to the daily Quercus offered share swap parity at 2.8 shares of Quercus for 1 share of Skarbiec and 3.3 shares for 1 share of Esaliens TFI, what implied (at that time) valuation of Quercus TFI, Skarbiec TFI and Esaliens TFI at PLN 320/114/97m, respectively. After acquisition Quercus TFI was about to have AUM at c. PLN 11.1bn vs. c. PLN 3.8bn in Nov'23 and vs. AUM of Skarbiec TFI/Esaliens TFI at PLN 3.9/3.4bn, respectively.

In a statement published on the same day, Skarbiec Holding informed that was not in talks with Quercus TFI relating to potential consolidation and share swap parity proposed by Quercus does not reflect fair value of the company.

AUM in Jan'24 up 45% y/y, 4% m/m

In Jan'24 AUM of Quercus TFI increased 45% y/y (4% m/m). Y/y growth was driven by rising AUM of QRS Ochrony Kapitału (95% y/y), QRS Dłużny Krótkoterminowy (143% y/y) and QRS Agresywny (89% y/y).

Skarbiec TFI – AUM

PLNm unless otherwise stated

	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	y/y	m/m
FIO	3 103	3 212	3 410	3 605	3 766	50%	4%
QRS Absolute Return FIZ	46	46	46	53	53	25%	0%
QRS Global Balanced Plus FIZ	45	44	46	48	48	-4%	0%
Acer Aggressive FIZ	63	75	75	83	83	33%	0%
QUERCUS Multistrategy FIZ	59	59	60	63	60	-2%	-4%
Private Equity Multifund FIZ	6	5	5	5	5	-28%	0%
Alphaset FIZ	176	162	162	184	203	53%	10%
Asset Management	302	302	312	347	348	27%	0%
TOTAL	3 821	3 926	4 137	4 409	4 587	45%	4%

Source: Company, Pekao Equity Research

Valuation summary

Our valuation of Quercus TFI is based on discounted cash flow method (DCF) and comparative approach. With 80/20% weights, respectively, we arrive at target price of 6.7/share offering 16% upside potential.

Quercus TFI – Summary of valuation

PLN unless otherwise stated

DCF	6.7
Comparative valuation	6.5
Wighted average	6.7
Target price	6.7
Market price	5.8
Upside/downside (%)	16%

Source: Pekao Equity Research

Our discounted cash flow (DCF) model is based on expected free cash flows discounted with weighted average cost of capital (WACC). In our cost of equity calculation we use 5.5% risk free rate (4.0% in terminal), 6.0% risk premium (5.0% in terminal) and 1.0 Beta. We use also growth rate (g) at 3%. Our DCF model implies Quercus TFI's equity value at PLN 6.7/share.

Quercus TFI – Discounted cash flow (DCF) model

PLNm unless otherwise stated

	2024e	2025e	2026e	2027e	2027e	2028e	Terminal
Revenues	131	134	135	137	140	143	143
- y/y change	11%	2%	1%	2%	2%	2%	2%
EBIT	29	27	24	25	25	26	26
- y/y change	11%	-7%	-9%	2%	2%	2%	2%
- EBIT margin	22%	20%	18%	18%	18%	18%	18%
Tax	-6	-5	-5	-5	-5	-5	-5
NOPLAT	23	22	20	20	20	21	21
- y/y change	11%	-6%	-9%	2%	2%	2%	2%
D&A	4	4	4	4	4	4	4
- y/y change	10%	3%	3%	0%	0%	0%	0%
Capex	-2	-3	-3	-4	-4	-4	-4
- y/y change	10%	10%	10%	56%	0%	0%	0%
Change in working capital	0	0	0	0	0	0	0
FCF	25	23	21	20	20	21	21
DFCF	23	19	16	13	12	11	12
Sum of discounted FCF	95						
Terminal value	375						
Discounted TV	209						
Enterprise value	304						
Net debt (2023e)	-73						
Minorities	5						
Equity value	371						
Number of shares (m)	55.2						
Target price (PLN)	6.7						
Market price (PLN) - 14th of Feb'24	5.8						
Upside/downside	16%						

Source: Pekao Equity Research

Quercus TFI – WACC calculation
PLNm unless otherwise stated

	2024e	2025e	2026e	2027e	2027e	2028e	Terminal
Risk free rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	4.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
ESG discount/premium	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.3%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	8.7%
Cost of debt	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	7.0%
After tax cost of debt	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	5.7%
Equity weight	100%	100%	100%	100%	100%	100%	100%
WACC	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	8.7%

Source: Pekao Equity Research
Quercus TFI – Sensitivity of DCF model to risk free rate and Beta
PLN unless otherwise stated

		Risk free rate (%)						
		2.5%	3.5%	4.5%	5.5%	6.5%	7.5%	8.5%
Beta	0.7	9.4	9.1	8.8	8.5	8.2	8.0	7.7
	0.8	8.6	8.3	8.0	7.8	7.6	7.3	7.1
	0.9	7.9	7.7	7.4	7.2	7.0	6.8	6.6
	1.0	7.3	7.1	6.9	6.7	6.5	6.4	6.2
	1.1	6.9	6.7	6.5	6.3	6.2	6.0	5.8
	1.2	6.5	6.3	6.1	6.0	5.8	5.7	5.5
	1.3	6.1	6.0	5.8	5.7	5.5	5.4	5.3

Source: Pekao Equity Research
Quercus TFI – Sensitivity of DCF model to risk free rate and risk premium
PLN unless otherwise stated

		Risk free rate (%)						
		2.5%	3.5%	4.5%	5.5%	6.5%	7.5%	8.5%
Risk premium	3%	8.1	7.9	7.6	7.4	7.2	7.0	6.8
	4%	7.8	7.6	7.4	7.2	7.0	6.8	6.6
	5%	7.6	7.4	7.1	6.9	6.7	6.6	6.4
	6%	7.3	7.1	6.9	6.7	6.5	6.4	6.2
	7%	7.1	6.9	6.7	6.5	6.4	6.2	6.0
	8%	6.9	6.7	6.5	6.3	6.2	6.0	5.9
	9%	6.7	6.5	6.3	6.2	6.0	5.8	5.7

Source: Pekao Equity Research
Quercus TFI – Comparative valuation summary

	2024e	2025e
Foreign peers average	13.1	11.9
Quercus P/E	11.2	12.4
premium/discount to average	-14%	4%
Implied fair value	6.8	6.1
Weight	60%	40%
Fair value	6.5	

Source: Pekao Equity Research

Our comparative valuation is based on P/E multiples of foreign peers in years 2023-2024e and implies Quercus TFI's equity value at PLN 6.5/share.

Quercus TFI – Comparative valuation

	Country	MCAP (EURm)	AuM [mln EUR]	P/E		P/BV		ROE		Dividend yield	
				2024	2025	2024	2025	2024	2025	2024	2025
ASHMORE GROUP PLC	GB	1 834	51 246	18.3	19.2	1.7	1.8	10%	10%	8%	8%
HARGREAVES LANSDOWN PLC	GB	4 606	156 067	12.7	13.0	5.2	4.8	40%	36%	5%	6%
JUPITER FUND MANAGEMENT	GB	543	56 701	10.3	11.2	0.5	0.5	5%	5%	6%	5%
MAN GROUP PLC/JERSEY	GB	3 309	133 788	7.0	6.0	1.3	1.2	21%	23%	6%	6%
SCHRODERS PLC	GB	7 535	696 332	11.2	10.2	1.4	1.3	12%	13%	6%	6%
AFFILIATED MANAGERS GROUP	US	4 865	608 008	7.3	7.0	1.4	1.3	18%	17%	0%	0%
ALLIANCEBERNSTEIN HOLDING LP	US	3 576	655 459	11.2	9.8	na	na	7%	9%	9%	11%
APOLLO GLOBAL MANAGEMENT INC	US	58 288	588 192	13.0	11.2	3.6	2.7	43%	28%	2%	2%
ARTISAN PARTNERS ASSET MA -A	US	3 093	135 726	13.0	11.8	na	na	na	na	7%	7%
BLACKROCK INC	US	108 858	9 046 452	19.4	17.1	2.8	2.6	15%	16%	3%	3%
BLACKSTONE INC	US	142 247	940 159	23.6	19.5	11.4	10.5	57%	63%	3%	4%
CARLYLE GROUP INC/THE	US	14 628	385 027	10.9	9.6	2.2	1.9	23%	25%	4%	4%
FRANKLIN RESOURCES INC	US	12 945	1 299 111	9.1	8.2	0.5	0.5	6%	7%	6%	6%
KKR & CO INC	US	79 289	499 639	19.3	15.8	2.8	2.4	17%	17%	1%	1%
T ROWE PRICE GROUP INC	US	21 913	1 305 586	13.4	13.2	2.4	2.4	17%	18%	5%	5%
PERPETUAL LTD	AU	1 714	11 300	12.8	11.7	1.2	1.2	9%	10%	6%	6%
AMP LTD	AU	1 775	94 859	14.6	11.6	0.7	0.7	6%	7%	4%	6%
INSIGNIA FINANCIAL LTD	AU	900	180 194	8.5	8.4	0.7	0.7	8%	9%	7%	8%

Source: Bloomberg, Pekao Equity Research

ESG rating

Our ESG rating is based on assessment of a number of E-S-G related criteria with respectively 30/40/30% weight in total rating. **Our methodology implies final ESG Score for Quercus TFI at 1.14 and ESG Rating “B”.**

Quercus TFI – ESG rating summary

Financials	E	S	G
Score	0.80	1.21	1.38
Sector weight	30%	40%	30%
Final ESG Score	1.14		
ESG Rating	B		

Source: Pekao Equity Research

According to our methodology, rating “B” translates to 7.5% discount for equity risk premium (as % of RFR) in our cost of equity calculation.

Quercus TFI – ESG rating methodology

	score from:	to	Rating	WACC risk premium impact (% of RFR)
ESG Score	1.5	2	A	-15.00%
	1	1.5	B	-7.50%
	0.5	1	C	0%
	0	0.5	D	15.00%

Source: Pekao Equity Research

Financials and earnings estimates

Quercus TFI – Key data, 2021-2026e

PLNm unless otherwise stated

	2021	2022	2023e	2024e	2025e	2026e
EPS adjusted	0.4	0.2	0.5	0.5	0.5	0.4
Revenue	83.0	93.1	118.2	130.9	133.5	134.5
Gross Margin %	37%	19%	31%	28%	25%	22%
EBIT	25.6	14.9	25.7	28.6	26.6	24.1
EBITDA	27.1	19.2	29.5	32.7	30.8	28.5
Net income	25.1	14.1	28.6	28.4	25.7	23.1
Net debt	-80.7	-48.4	-72.8	-72.4	-66.2	-59.0
BPS	1.5	1.4	1.8	1.8	1.8	1.8
DPS	0.3	0.4	0.2	0.5	0.5	0.5
ROE	28%	17%	32%	29%	26%	24%
ROA	18%	8%	17%	16%	15%	13%
Depreciation & Amortization	1.6	4.3	3.7	4.1	4.2	4.4
FCF	13.6	35.0	22.4	24.9	23.2	21.1
CAPEX	0.7	1.5	2.1	2.3	2.5	2.8

Source: Company, Pekao Equity Research estimates

Quercus TFI – P&L, 2021-2026e

PLNm unless otherwise stated

	2021	2022	2023e	2024e	2025e	2026e
Revenues	83.0	93.1	118.2	130.9	133.5	134.5
Expenses	-57.5	-78.1	-92.4	-102.3	-106.9	-110.4
EBIT	25.6	14.9	25.7	28.6	26.6	24.1
EBITDA	27.1	19.2	29.5	32.7	30.8	28.5
Net financial income	5.0	2.8	10.5	7.4	6.1	5.4
Pre-tax profit	30.5	17.7	36.2	36.0	32.7	29.5
Income tax	-5.4	-3.0	-7.0	-6.8	-6.2	-5.6
Net profit	25.1	14.7	29.2	29.2	26.5	23.9
Net profit for majority shareholders	25.1	14.1	28.6	28.4	25.7	23.1

Source: Company, Pekao Equity Research estimates

Quercus TFI – Key data, 2021-2026e

PLNm unless otherwise stated

	2021	2022	2023e	2024e	2025e	2026e
AUM (PLNm)	4 438	3 054	4 409	4 915	5 044	5 119
- y/y change (%)	50%	-31%	44%	11%	3%	1%
Average AUM (PLNm)	3 682	3 512	3 551	4 662	4 979	5 081
- y/y change (%)	48%	-5%	1%	31%	7%	2%
Net profit margin (%)	30%	15%	24%	22%	19%	17%
Margin on average AUM (%)	1%	0%	1%	1%	1%	0%
Dividend yield (%)	5%	7%	4%	9%	9%	8%
Number of shares (m)	59	56	55	55	55	55

Source: Company, Pekao Equity Research estimates

Quercus TFI – Balance sheet, 2021-2026e
PLNm unless otherwise stated

	2021	2022	2023e	2024e	2025e	2026e
Tangible assets	4.7	5.9	5.7	5.4	5.3	5.2
Financial assets	66.9	72.9	75.1	78.6	83.5	90.3
Fixed assets	82.0	88.1	90.1	93.4	98.0	104.8
Receivables	29.7	10.9	10.9	10.9	10.9	10.9
Cash & equivalents	80.7	58.2	72.8	72.4	66.2	59.0
Current assets	114.2	69.9	84.6	84.2	77.9	70.7
Total assets	196.2	158.0	174.7	177.5	175.9	175.5
Equity for majority shareholders	89.6	81.1	97.7	99.1	97.9	96.6
Provisions for liabilities	15.1	15.1	15.4	15.7	15.5	15.7
Leasing	1.3	3.1	3.1	3.1	3.1	3.1
Long-term liabilities	16.7	18.7	19.0	19.3	19.1	19.3
Trade liabilities	2.7	3.8	3.8	3.8	3.8	3.8
Liabilities to customers	68.9	39.8	39.4	40.4	40.0	40.5
Short-term liabilities	89.9	53.0	52.7	53.9	53.7	54.3
Equity and liabilities	196.2	158.0	174.7	177.5	175.9	175.5

Source: Company, Pekao Equity Research estimates
Quercus TFI – Cash flow, 2021-2026e
PLNm unless otherwise stated

	2021	2022	2023e	2024e	2025e	2026e
Net profit	25.1	14.7	28.6	28.4	25.7	23.1
D&A	1.6	4.3	3.7	4.1	4.2	4.4
Financial expenses	0.3	0.2	0.5	0.8	0.1	0.1
Other	-14.2	-20.3	0.6	2.1	0.2	1.5
Operating cash flow	12.8	-1.1	33.4	35.4	30.3	29.1
Proceeds from financial assets sales	15.0	7.9	5.0	5.0	5.0	5.0
Capex	-0.7	-1.5	-2.1	-2.3	-2.5	-2.8
Financial assets spending	35.1	-3.0	-8.5	-9.9	-11.2	-13.2
Investing cash flow	49.4	3.4	-5.6	-7.2	-8.8	-11.0
Shares issue	22.5	0.0	0.0	0.0	0.0	0.0
Dividend/buy-back	-17.9	-22.3	-12.6	-27.8	-27.7	-25.2
Other	-0.8	-2.5	-0.5	-0.8	-0.1	-0.1
Financial cash flow	3.8	-24.9	-13.1	-28.6	-27.8	-25.3
Cash at the beginning of period	14.8	80.7	58.2	72.8	72.4	66.2
Cash at the end of period	80.7	58.2	72.8	72.4	66.2	59.0

Source: Company, Pekao Equity Research estimates



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Analyst	Position	Financial instrument	Number of instruments	Exposure (long/short)	Average transactions price	Transactions dates
Michał Fldelus	Expert, Analyst	Quercus TFI	n.a.	n.a.	n.a.	n.a.

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METHODS USED TO FORMULATE OUR RECOMMENDATIONS:

Our company valuations are based on two valuation methods selected from among the following: discount model, multiples-based model or asset-based valuation method.

Discount models are characterized by simultaneous and comprehensive consideration of key determinants of intrinsic value, e.g. operating cash flow, capex, cost of capital (WACC). They are theoretically appealing and provide a direct computation of intrinsic value. However, discount model valuations are highly sensitive to changes in assumptions, particularly the risk free rate and terminal growth rate. Moreover, projections cannot be stated with certainty; unforeseen future events can cause income or earnings projections to be invalid.

Multiples-based models are based on the analysis of the valuation multipliers of a given company in relation to other similar companies in the industry. Among strengths of multiplier models we can highlight their simplicity, as they are easy to compute as well as to understand. Moreover, only the key statistics for investors are chosen for valuation. On the other hand, multiples are based on historic data or near-term forecasts. Valuations based on multiples will therefore fail to capture differences in projected performance over the longer term. Finally, it may be problematic to select a suitable peer group.

Asset-based models can be used even if a company has a brief record of earnings or its future existence is uncertain. However, it may be challenging to determine market value of some assets, particularly intangibles. Additionally, asset-based models do not take into account future changes in financial results, nor do they include non-balance sheet items, such as know-how.

Valuation models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials, and on assumptions about the economy. Furthermore, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Our recommendations and target prices derived from the models might therefore change accordingly.

The investment ratings generally relate to a 12-month horizon. They are, however, also subject to market conditions and can only represent a snapshot. The ratings may in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward. In the tables and charts throughout this report, we designate the years with an "E" to denote that the figures presented are forecasts and estimates.

Definition of ratings used in our publications:

We currently use a three-tier recommendation system for the stocks in our formal coverage: Buy, Hold, or Sell (see definitions below):

A **Buy** is applied when the expected total return over the next twelve months is higher than 15%.

A **Hold** is applied when the expected total return over the next twelve months is within the range of 0% to 15%.

A **Sell** is applied when the stock's expected total return over the next twelve months is negative.

We employ three further categorizations for stocks in our coverage:

Restricted: A rating and/or financial forecasts and/or target price is not disclosed owing to compliance or other regulatory considerations such as blackout period or conflict of interest.

Coverage in transition: Due to changes in the research team, the disclosure of a stock's rating and/or target price and/or financial information are temporarily suspended. The stock remains in the research universe and disclosures of relevant information will be resumed in due course.

Under review: A rating and/or financial forecasts and/or target price is at the moment under revision of an analyst and the previous rating and/or financial forecasts and/or target price should not be relied on.

Not rated: We do not issue company-specific recommendations and we do not plan to issue them in the foreseeable future.

EXPLANATION OF THE PROFESSIONAL TERMINOLOGY USED IN THE REPORT:

P/E – „Price/Earnings” is the ratio of the financial instrument price to the net financial result for the issuer of the financial instrument.

P/B – „Price/Book Value” is the ratio of the price of the financial instrument to the issuer's equity capital.

EPS – „Earnings per Share”, i.e. net profit per share.

BVPS – „Book Value per Share”.

FWD – „Forward” - stands for the ratio (eg. P/E) calculated on the basis of the expected results.

DPS – „Dividend per Share”.

DY – „Dividend Yield”, a ratio calculated as dividends per share divided by the current share price.

EBIT – „Earnings Before Interest and Taxes”.

EBITDA - „Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization”.

EV/EBITDA – “Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization” is the company's market capitalization (price x number of shares) increased by the value of net financial debt and the value of minority shareholders divided by the operating result increased by the value of the company's asset depreciation.

AGM – Annual General Meeting