

Quercus TFI

Strong start to the year

We lift our 12M TP for Quercus TFI to PLN 7.5/share from PLN 6.7 previously and maintain our Buy rating. Quercus has strong start to the year with solid 1Q24 earnings and very encouraging provision for success fee. Promising quarterly numbers though, do not stop its appetite to grow, as April saw further improvement in AUM and strong positive flows. We lift our 2024/25e net profit estimates by 24/11% to PLN 35/29m, respectively. Given sustainable distribution of earnings and healthy EPS outlook, current valuation at 9.6/11.8 is still not demanding, in our view.

Encouraging start to the year... – 1Q24 net profit of Quercus TFI grew 97% y/y to PLN 6.5m and provision for success came in at high PLN 11.4m. 1Q24 saw further growth of AUM (15% q/q) supported by strong rates of return of QRS's funds and high inflows (PLN 484m).

... and further improvement in April – In Apr'24 AUM of Quercus TFI increased 61% y/y (3% m/m) mostly driven by rising AUM of Ochrony Kapitału (131% y/y), Dłużny Krótkoterminowy (193% y/y) and Agresywny (86% y/y). Net flows came in at PLN +116m and YTD reached PLN 600m (vs. PLN -2m YTD in Apr'23 and vs. PLN 693m in FY 2023).

Changes to 2024/25e earnings estimates – Better than expected AUM growth coupled with high inflows to funds and solid rates of returns of managed investment funds prompted us to lift our AUM estimates by 14/11% in 2024/25e. This, coupled with better than expected success fee and higher opex forecasts, prompted us to lift our net profit estimates by 24% in 2024e (to PLN 35.2m) and by 11% in 2025e (to PLN 28.7m).

Buy-back – Quercus continues to distribute its earnings and announced buy-back of 3.1m shares (5.57% stake) at PLN 9.50/share for PLN 29.2m or 100% of standalone 2023 net profit (till May 15th).

Multiples not demanding – At our estimates Quercus TFI is trading at 9.6/11.8x 2024/25e P/E, with 25% discount and 2% premium to peers, respectively. Sustainable distribution of earnings and healthy EPS outlook make current valuation still not demanding, 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, 2022-2027e

PLNm unless otherwise stated

	2022	2023	2024e	2025e	2026e	2027e
Revenues	93.1	118.5	143.3	144.6	145.5	146.3
EBITDA	19.2	27.8	37.8	34.5	30.1	28.7
Net profit	14.1	31.0	35.2	28.7	24.2	22.5
- y/y change	-44%	120%	14%	-19%	-16%	-7%
Dividend yield (%)	6.1%	3.5%	8.7%	10.2%	8.3%	7.1%
P/E (x)	26.1	11.6	9.6	11.8	14.0	15.1
P/BV	4.5	3.6	3.2	3.4	3.5	3.5

Source Company, Pekao Equity Research

Buy (update)

Target price

PLN 7.5

Upside to TP

+15%

Price on 7 May 2024

PLN 6.52

ESG rating

B

Final ESG Score

1.21

Relative share price performance vs. WIG



UPCOMING EVENTS

2Q24 results

13 August

STOCK DATA

Bloomberg	QRS PW
Free float (%)	43.2
Market capitalization (PLNm)	360
Diluted no. of shares (mn)	55.2

Shareholders	Sebastian i Anna Buczek	18.2%
	Jakub Głowacki	17.1%
	Betpay Capital Sp. z o.o.	9.0%
	OFE NN	7.2%
	Q1 FIZ	5.3%
	Other	43.2%

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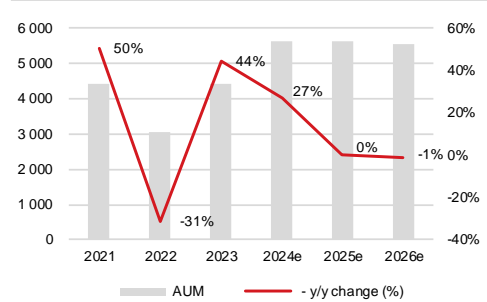
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Key financials

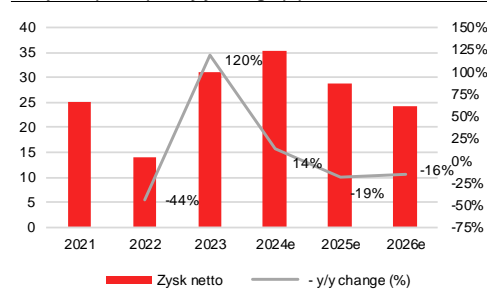
P&L	2022	2023	2024e	2025e	2026e	2027e
Revenues	93.1	118.5	143.3	144.6	145.5	146.3
- Management fee	48.6	69.9	73.7	80.9	80.4	80.5
- Purchase/redemption orders	39.0	42.2	48.4	48.4	52.6	53.2
Expenses	-78.1	-93.7	-109.8	-114.5	-119.9	-122.1
Distribution costs	-37.3	-39.5	-50.5	-52.1	-54.3	-54.1
Staff costs	-20.8	-27.8	-34.1	-36.2	-38.8	-40.8
External services	-6.1	-6.1	-6.5	-7.0	-7.4	-7.6
Other operating costs	-9.6	-17.2	-14.4	-14.8	-15.0	-15.1
D&A	-4.3	-3.1	-4.3	-4.4	-4.5	-4.5
EBIT	14.9	24.7	33.5	30.1	25.6	24.2
EBITDA	19.2	27.8	37.8	34.5	30.1	28.7
Net financial income	2.8	14.6	11.2	6.7	5.7	4.9
Pre-tax profit	17.7	39.3	44.7	36.8	31.3	29.2
Income tax	-3.0	-7.6	-8.3	-7.0	-6.0	-5.5
Net profit	14.7	31.7	36.4	29.8	25.4	23.6
Net profit for majority shareholders	14.1	31.0	35.2	28.7	24.2	22.5
Balance sheet	2022	2023	2024e	2025e	2026e	2027e
Tangible assets	5.9	6.1	5.8	5.7	5.9	6.3
Financial assets	72.9	85.0	87.7	90.8	94.4	98.8
Fixed assets	88.1	100.8	103.2	106.2	110.0	114.8
Receivables	10.9	33.7	21.2	21.6	22.1	22.5
Cash & equivalents	58.2	68.5	87.4	78.8	72.8	68.3
Current assets	69.9	103.7	110.0	101.8	96.3	92.3
Total assets	158.0	204.5	213.2	208.1	206.3	207.0
Equity for majority shareholders	81.1	99.4	106.1	101.4	98.4	97.9
Provisions for liabilities	15.1	22.0	22.4	22.2	22.5	22.8
Leasing	3.1	3.0	3.0	3.0	3.0	3.0
Long-term liabilities	18.7	25.2	25.6	25.4	25.7	26.0
Trade liabilities	3.8	4.1	4.1	4.1	4.1	4.1
Liabilities to customers	39.8	49.3	50.5	50.0	50.6	51.2
Short-term liabilities	53.0	74.4	75.9	75.7	76.7	77.6
Equity and liabilities	158.0	204.5	213.2	208.1	206.3	207.0
Cash flow	2022	2023	2024e	2025e	2026e	2027e
Net profit	14.7	31.0	35.2	28.7	24.2	22.5
D&A	4.3	3.1	4.3	4.4	4.5	4.5
Financial expenses	0.2	0.2	0.5	0.1	0.1	0.1
Other	-20.3	5.7	15.6	0.2	1.8	1.8
Operating cash flow	-1.1	26.0	55.5	33.4	30.6	28.9
Proceeds from financial assets sales	7.9	0.0	0.0	0.0	0.0	0.0
Capex	-1.5	-1.9	-2.1	-2.3	-2.5	-2.8
Financial assets spending	-5.7	-2.1	-2.5	-2.9	-3.5	-4.2
Investing cash flow	3.4	-1.1	-6.5	-7.3	-8.1	-9.1
Shares issue	0.0	0.0	0.0	0.0	0.0	0.0
Dividend/buy-back	-22.3	-12.7	-29.7	-34.5	-28.3	-24.1
Other	-2.5	-1.9	-0.5	-0.1	-0.1	-0.1
Financial cash flow	-24.9	-14.5	-30.1	-34.6	-28.4	-24.2
Cash at the beginning of period	80.7	58.2	68.5	87.4	78.8	72.8
Cash at the end of period	58.2	68.5	87.4	78.8	72.8	68.3
Key data	2022	2023	2024e	2025e	2026e	2027e
AUM (PLNm)	3 054	4 409	5 612	5 620	5 548	5 480
- y/y change (%)	-31%	44%	27%	0%	-1%	-1%
Average AUM (PLNm)	3 512	3 551	5 011	5 616	5 584	5 514
- y/y change (%)	-5%	1%	41%	12%	-1%	-1%
ROE (%)	17%	34%	34%	28%	24%	23%
ROA (%)	8%	17%	17%	14%	12%	11%
Net profit margin (%)	15%	26%	25%	20%	17%	15%
Margin on average AUM (%)	0.4%	0.9%	0.7%	0.5%	0.4%	0.4%
Dividend payout/buy-back ratio	89%	86%	94%	95%	95%	95%
Dividend yield (%)	6.1%	3.5%	8.7%	10.2%	8.3%	7.1%
Number of shares (m)	56.5	55.2	52.1	52.1	52.1	52.1
P/E (x)	26.1	11.6	9.6	11.8	14.0	15.1
P/BV (x)	4.5	3.6	3.2	3.4	3.5	3.5

Source: Company, Pekao Equity Research

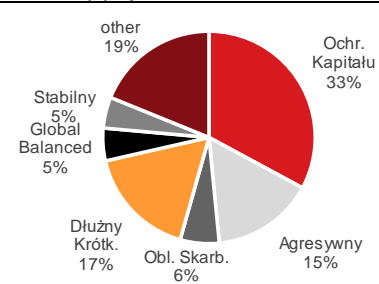
AUM (PLNm) and y/y change (%)



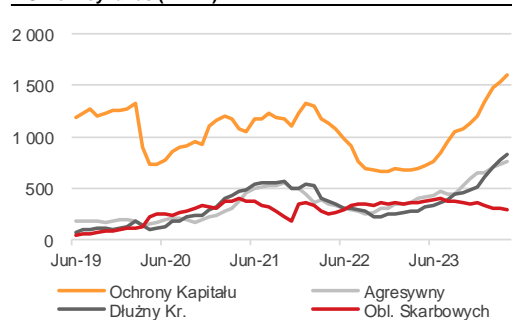
Net profit (PLNm) and y/y change (%)



AUM structure (%), Apr'24



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.

Changes to 2024-25e estimates

Much better than expected AUM growth coupled with higher than assumed inflows to funds and solid rates of returns of managed investment funds prompted us to lift our AUM estimates by 14% in 2024e and by 11% in 2025e. This, coupled with better than expected success fee and higher opex forecasts, prompted us to lift our net profit estimates by 24% in 2024e (to PLN 35.2m) and by 11% in 2025e (to PLN 28.7m).

- Much better than expected AUM growth in recent months coupled with higher than assumed inflows to QRS's funds and solid rates of returns of managed investment funds prompted us to lift our AUM estimates by 14% in 2024e and by 11% in 2025e. This, coupled with increased success fee forecasts – on the back of very strong provision for success fee reported in 1Q24 - made us increased our revenues estimates by 9/8% in 2024/25e.
- With higher opex forecasts we lift our EBITDA estimates by 16/12% in 2024/25e. To reflect changed expectations on interest rates in Poland (we now assume flat rates by the end of 2024e) and Capitea-related bookings (through other operating costs and financial income), we lift our net financial income estimates by 50/10% in 2024/25e. As a result, we arrive at net profit at PLN 35.2m in 2024e (up 24%) and at PLN 28.7m in 2025e (up 11%).

Quercus TFI – Changes to 2024-2025e earnings estimates

PLNm unless otherwise stated

	2023			2024e			2025e		
	Previous	Actual	Change (%)	Previous	Current	Change (%)	Previous	Current	Change (%)
Revenues	118.2	118.5	0%	130.9	143.3	9%	133.5	144.6	8%
Costs	-92.4	-93.7	1%	-102.3	-109.8	7%	-106.9	-114.5	7%
EBIT	25.7	24.7	-4%	28.6	33.5	17%	26.6	30.1	13%
EBITDA	29.5	27.8	-6%	32.7	37.8	16%	30.8	34.5	12%
Net financial incom	10.5	14.6	39%	7.4	11.2	50%	6.1	6.7	10%
Pre-tax profit	36.2	39.3	8%	36.0	44.7	24%	32.7	36.8	13%
Net profit	29.2	31.7	8%	29.2	36.4	25%	26.5	29.8	13%
Net profit to maj. shareholders	28.6	31.0	8%	28.4	35.2	24%	25.7	28.7	11%
AUM (eop)	4 409	4 409	0%	4 915	5 612	14%	5 044	5 620	11%
AUM (average)	3 551	3 551	0%	4 662	5 011	7%	4 979	5 616	13%

Source: Company, Pekao Equity Research estimates



Recent events

Buy-back

On May 2nd Quercus TFI announced a buy-back of 3,073,685 shares (5.57% stake) at PLN 9.50/share for total PLN 29.2m (100% of standalone 2023 net profit of the company). Buy-back will be closed on May 15th.

AUM in Apr'24 up 61% y/y, 3% m/m

In Apr'24 AUM of Quercus TFI increased 61% y/y (3% m/m). Y/y growth was mostly driven by rising AUM of QRS Ochrony Kapitału (131% y/y), QRS Dłużny Krótkoterminowy (193% y/y) and QRS Agresywny (86% y/y).

Quercus TFI – AUM

PLNm unless otherwise stated

	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	y/y	m/m
FIO	3 605	3 766	4 077	4 218	4 382	70%	4%
QUERCUS Absolute Return FIZ	53	53	53	48	57	30%	19%
QUERCUS Global Balanced Plus FIZ	48	48	50	50	42	-9%	-16%
Acer Aggressive FIZ	83	83	82	88	88	50%	0%
QUERCUS Multistrategy FIZ	63	60	62	63	60	-2%	-4%
Private Equity Multifund FIZ	5	5	5	5	4	-31%	-6%
Alphaset FIZ	184	203	203	213	203	41%	-5%
Asset Management	347	348	353	355	360	25%	1%
TOTAL	4 409	4 587	4 906	5 062	5 219	61%	3%

Source: Company, Pekao Equity Research

Publication of 1Q24 results (on 19th of April)

1Q24 net profit of Quercus TFI came in at PLN 6.5m and was 12% below our estimates (PLN 7.3m). Slight earnings miss was driven by higher administrative costs (+14% vs. our estimates), that were only partly offset by slightly better revenues (+2% vs. our estimates) and higher net financial income (inflated by Capitea related bookings with zero net impact). Despite higher costs though, we find 1Q24 results of Quercus TFI as positive because of two reasons: First, 1Q24 net profit, while slightly lower than expected, was still very strong – if this was the level to be repeated in the following quarters FY 2024 bottom line would reach c. PLN 26m. Second, provision for success came in at very high PLN 11.4m. 1Q24 saw further growth of AUM (15% q/q) supported by continuously strong rates of return of QRS's funds and high inflows (PLN 484m).

Quercus TFI – P&L, PLN mn

	1Q23	2Q23	3Q23	4Q23	1Q24	y/y	q/q	Pekao	vs. Pekao
Revenues	20.9	23.8	25.2	48.6	29.7	42%	-39%	29.1	2%
Total costs	-19.8	-19.8	-19.8	-31.1	-24.7	25%	-21%	-21.8	14%
EBIT	1.1	2.6	3.7	17.4	4.9	363%	-72%	7.4	-33%
EBITDA	2.0	3.5	4.6	17.8	6.0	202%	-66%	7.7	-22%
Net financial income	3.1	2.6	2.5	6.4	3.2	3%	-50%	2.1	55%
Pre-tax profit	4.2	5.2	6.1	23.8	8.1	96%	-66%	9.4	-14%
Net profit	3.3	4.0	4.7	19.0	6.5	97%	-66%	7.3	-12%
AUM eop	3 187	3 441	3 821	4 409	5 062	59%	15%		
AUM average	3 129	3 296	3 653	4 073	4 741	52%	16%		

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 7.5/share offering 15% upside potential.

Quercus TFI – Summary of valuation

PLN unless otherwise stated

DCF	7.5
Comparative valuation	7.7
Wighted average	7.5
Target price	7.5
Market price	6.5
Upside/downside (%)	15%

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 5.6% 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 7.5/share.

Quercus TFI – Discounted cash flow (DCF) model

PLNm unless otherwise stated

	2024e	2025e	2026e	2027e	2027e	2028e	Terminal
Revenues	143	145	146	146	149	152	152
- y/y change	21%	1%	1%	1%	2%	2%	2%
EBIT	34	30	26	24	25	25	25
- y/y change	35%	-10%	-15%	-5%	2%	2%	2%
- EBIT margin	23%	21%	18%	17%	17%	17%	17%
Tax	-6	-6	-5	-5	-5	-5	-5
NOPLAT	27	24	21	20	20	20	20
- y/y change	35%	-9%	-15%	-5%	2%	2%	2%
D&A	4	4	4	5	5	5	5
- y/y change	39%	3%	1%	1%	0%	0%	0%
Capex	-2	-2	-3	-3	-5	-5	-5
- y/y change	10%	10%	10%	10%	63%	0%	0%
Change in working capital	13	0	0	0	0	0	0
FCF	42	26	22	21	20	20	20
DFCF	40	22	17	14	12	11	12
Sum of discounted FCF	117						
Terminal value	369						
Discounted TV	211						
Enterprise value	328						
Net debt (2023)	-68						
Minorities	6						
Equity value	391						
Number of shares (m)	52.1						
Target price (PLN)	7.5						
Market price (PLN) - 7th of May'24	6.5						
Upside/downside	15%						

Source: Pekao Equity Research

Quercus TFI – WACC calculation

	2024e	2025e	2026e	2027e	2027e	2028e	Terminal
Risk free rate	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	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	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	7.0%
After tax cost of debt	6.9%	7.0%	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 (%)						
		2.6%	3.6%	4.6%	5.6%	6.6%	7.6%	8.6%
Beta	0.7	10.3	10.0	9.7	9.4	9.1	8.9	8.6
	0.8	9.4	9.1	8.9	8.6	8.4	8.2	8.0
	0.9	8.7	8.5	8.2	8.0	7.8	7.6	7.4
	1.0	8.1	7.9	7.7	7.5	7.3	7.1	7.0
	1.1	7.6	7.4	7.3	7.1	6.9	6.7	6.6
	1.2	7.2	7.0	6.9	6.7	6.6	6.4	6.3
	1.3	6.9	6.7	6.5	6.4	6.2	6.1	6.0

Source: Pekao Equity Research

Quercus TFI – Sensitivity of DCF model to risk free rate and risk premium

PLN unless otherwise stated

		Risk free rate (%)						
		2.6%	3.6%	4.6%	5.6%	6.6%	7.6%	8.6%
Risk premium	3%	8.9	8.7	8.4	8.2	8.0	7.8	7.6
	4%	8.6	8.4	8.2	8.0	7.7	7.5	7.4
	5%	8.4	8.2	7.9	7.7	7.5	7.3	7.2
	6%	8.1	7.9	7.7	7.5	7.3	7.1	7.0
	7%	7.9	7.7	7.5	7.3	7.1	7.0	6.8
	8%	7.7	7.5	7.3	7.1	6.9	6.8	6.6
	9%	7.5	7.3	7.1	6.9	6.8	6.6	6.5

Source: Pekao Equity Research

Quercus TFI – Comparative valuation summary

	2024e	2025e
Foreign peers average	12.8	11.6
Quercus P/E	9.6	11.8
premium/discount to average	-25%	2%
Implied fair value/share (PLN)	8.7	6.4
Weight	60%	40%
Fair value/share (PLN)	7.7	

Source: Pekao Equity Research

Our comparative valuation is based on P/E multiples of foreign peers in years 2024-2025e and implies Quercus TFI's equity value at PLN 7.7/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	1 622	51 246	16.0	17.6	1.5	1.6	10%	9%	9%	9%
HARGREAVES LANSDOWN PLC	GB	4 557	156 067	12.3	12.7	5.1	4.6	41%	36%	5%	6%
JUPITER FUND MANAGEMENT	GB	510	60 216	8.2	9.2	0.5	0.5	7%	6%	7%	5%
MAN GROUP PLC/JERSEY	GB	3 749	151 392	6.6	6.6	1.4	1.2	28%	23%	5%	6%
SCHRODERS PLC	GB	6 766	741 048	11.2	10.4	1.3	1.2	12%	12%	6%	6%
AFFILIATED MANAGERS GROUP	US	4 743	608 008	7.0	6.7	1.4	1.3	17%	20%	0%	0%
ALLIANCEBERNSTEIN HOLDING LP	US	3 546	655 459	11.2	9.9	na	na	7%	9%	9%	10%
APOLLO GLOBAL MANAGEMENT INC	US	58 870	588 192	13.6	11.4	4.5	3.5	52%	45%	2%	2%
ARTISAN PARTNERS ASSET MA -A	US	3 226	135 726	13.1	11.7	na	na	na	na	7%	8%
BLACKROCK INC	US	107 802	9 046 452	18.5	16.4	2.8	2.6	16%	17%	3%	3%
BLACKSTONE INC	US	136 727	940 159	24.1	19.2	11.5	10.6	57%	65%	3%	4%
CARLYLE GROUP INC/THE	US	14 021	385 027	10.8	9.5	2.3	1.4	25%	29%	3%	4%
FRANKLIN RESOURCES INC	US	11 452	1 299 111	9.0	7.8	0.5	0.5	6%	7%	5%	6%
KKR & CO INC	US	80 818	499 639	20.6	15.9	3.0	2.5	17%	17%	1%	1%
T ROWE PRICE GROUP INC	US	23 247	1 305 586	12.6	12.8	2.5	2.4	20%	19%	4%	5%
PERPETUAL LTD	AU	1 672	11 300	13.5	12.1	1.2	1.2	9%	10%	5%	6%
AMP LTD	AU	1 841	na	14.1	11.5	0.8	0.7	6%	7%	4%	5%
INSIGNIA FINANCIAL LTD	AU	987	180 194	8.1	7.5	0.7	0.7	9%	10%	8%	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	0.82	1.40	1.33
Sector weight	30%	40%	30%
Final ESG Score	1.21		
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, 2022-2027e

PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
EPS adjusted	0.4	0.2	0.6	0.7	0.6	0.5	0.4
Revenue	83.0	93.1	118.5	143.3	144.6	145.5	146.3
Gross Margin %	37%	19%	33%	31%	25%	22%	20%
EBIT	25.6	14.9	24.7	33.5	30.1	25.6	24.2
EBITDA	27.1	19.2	27.8	37.8	34.5	30.1	28.7
Net income	25.1	14.1	31.0	35.2	28.7	24.2	22.5
Net debt	-80.7	-58.2	-68.5	-87.4	-78.8	-72.8	-68.3
BPS	1.5	1.4	1.8	2.0	1.9	1.9	1.9
DPS	0.3	0.4	0.2	0.6	0.7	0.5	0.5
ROE	28%	17%	34%	34%	28%	24%	23%
ROA	18%	8%	17%	17%	14%	12%	11%
Depreciation & Amortization	1.6	4.3	3.1	4.3	4.4	4.5	4.5
FCF	13.6	35.0	-1.4	42.0	26.1	22.3	20.9
CAPEX	0.7	1.5	1.9	2.1	2.3	2.5	2.8

Source: Company, Pekao Equity Research estimates

Quercus TFI – P&L, 2022-2027e

PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
Revenues	83.0	93.1	118.5	143.3	144.6	145.5	146.3
EBIT	25.6	14.9	24.7	33.5	30.1	25.6	24.2
EBITDA	27.1	19.2	27.8	37.8	34.5	30.1	28.7
Net financial income	5.0	2.8	14.6	11.2	6.7	5.7	4.9
Pre-tax profit	30.5	17.7	39.3	44.7	36.8	31.3	29.2
Income tax	-5.4	-3.0	-7.6	-8.3	-7.0	-6.0	-5.5
Net profit	25.1	14.7	31.7	36.4	29.8	25.4	23.6
Net profit for majority shareholders	25.1	14.1	31.0	35.2	28.7	24.2	22.5

Source: Company, Pekao Equity Research estimates

Quercus TFI – Key data, 2022-2027e

PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
AUM (PLNm)	4 438	3 054	4 409	5 612	5 620	5 548	5 480
- y/y change (%)	50%	-31%	44%	27%	0%	-1%	-1%
Average AUM (PLNm)	3 682	3 512	3 551	5 011	5 616	5 584	5 514
- y/y change (%)	48%	-5%	1%	41%	12%	-1%	-1%
Net profit margin (%)	30%	15%	26%	25%	20%	17%	15%
Margin on average AUM (%)	1%	0%	1%	1%	1%	0%	0%
Dividend yield (%)	5%	6%	4%	9%	10%	8%	7%
Number of shares (m)	59	56	55	52	52	52	52

Source: Company, Pekao Equity Research estimates

Quercus TFI – Balance sheet, 2022-2027e
PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
Tangible assets	4.7	5.9	6.1	5.8	5.7	5.9	6.3
Financial assets	66.9	72.9	85.0	87.7	90.8	94.4	98.8
Fixed assets	82.0	88.1	100.8	103.2	106.2	110.0	114.8
Receivables	29.7	10.9	33.7	21.2	21.6	22.1	22.5
Cash & equivalents	80.7	58.2	68.5	87.4	78.8	72.8	68.3
Current assets	114.2	69.9	103.7	110.0	101.8	96.3	92.3
Total assets	196.2	158.0	204.5	213.2	208.1	206.3	207.0
Equity for majority shareholders	89.6	81.1	99.4	106.1	101.4	98.4	97.9
Provisions for liabilities	15.1	15.1	22.0	22.4	22.2	22.5	22.8
Leasing	1.3	3.1	3.0	3.0	3.0	3.0	3.0
Long-term liabilities	16.7	18.7	25.2	25.6	25.4	25.7	26.0
Trade liabilities	2.7	3.8	4.1	4.1	4.1	4.1	4.1
Liabilities to customers	68.9	39.8	49.3	50.5	50.0	50.6	51.2
Short-term liabilities	89.9	53.0	74.4	75.9	75.7	76.7	77.6
Equity and liabilities	196.2	158.0	204.5	213.2	208.1	206.3	207.0

Source: Company, Pekao Equity Research estimates
Quercus TFI – Cash flow, 2022-2027e
PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
Net profit	25.1	14.7	31.0	35.2	28.7	24.2	22.5
D&A	1.6	4.3	3.1	4.3	4.4	4.5	4.5
Financial expenses	0.3	0.2	0.2	0.5	0.1	0.1	0.1
Other	-14.2	-20.3	5.7	15.6	0.2	1.8	1.8
Operating cash flow	12.8	-1.1	26.0	55.5	33.4	30.6	28.9
Proceeds from financial assets sales	15.0	7.9	0.0	0.0	0.0	0.0	0.0
Capex	-0.7	-1.5	-1.9	-2.1	-2.3	-2.5	-2.8
Financial assets spending	35.1	-3.0	0.8	-4.4	-5.0	-5.6	-6.3
Investing cash flow	49.4	3.4	-1.1	-6.5	-7.3	-8.1	-9.1
Shares issue	22.5	0.0	0.0	0.0	0.0	0.0	0.0
Dividend/buy-back	-17.9	-22.3	-12.7	-29.7	-34.5	-28.3	-24.1
Other	-0.8	-2.5	-1.9	-0.5	-0.1	-0.1	-0.1
Financial cash flow	3.8	-24.9	-14.5	-30.1	-34.6	-28.4	-24.2
Cash at the beginning of period	14.8	80.7	58.2	68.5	87.4	78.8	72.8
Cash at the end of period	80.7	58.2	68.5	87.4	78.8	72.8	68.3

Source: Company, Pekao Equity Research estimates

THIS REPORT WAS COMPLETED ON 8 MAY AT 22:00 CET.

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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