

Quercus TFI

2Q23 net profit slightly above estimates. PLN 11.3m provision for success fee.

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Quercus TFI released 2Q23 figures with the following highlights:

- **2Q23 net profit** of Quercus TFI came in at PLN 4.0m (24% y/y, 23% q/q) and was 12% above consensus (PLN 3.6m, as reported by PAP) and 6% above our estimates (PLN 3.8m). Slight earnings beat was driven by better than expected revenues that were only partly offset by slightly higher costs and slightly lower net financial income.
- **Management fee** in 2Q23 amounted to PLN 12.5m (2% y/y, 13% q/q) and was 6% above our expectations. In 2Q23 share of low margin debt funds in total AUM came in at 43% on average (vs. 42% in 1Q23 and 49% in 2Q22).
- Success fee came in at PLN 0.7m and total provision on **success fee** at the end of 2Q23 increased to **PLN 11.3m** from PLN 6.7m at the end of 1Q23.
- **Total costs** in 2Q23 came in at PLN 21m (5% y/y, 7% q/q) and were 4% above our estimates. Distribution costs were broadly flat (1% y/y), staff costs increased 5% y/y, external services costs went up 5% q/q and other costs increased 39% q/q.
- At the end of **2Q23** AUM of Quercus TFI came in at PLN 3,441m (5% y/y, 8% q/q). On a y/y basis, declining assets of QRS Ochrony Kapitału (-23% y/y) and QRS Global Balanced (-23% y/y) were more than offset by rising AUM of QRS Agresywny (42% y/y), QRS Obligacji Skarbowych (35% y/y) and QRS Stabilny (49% y/y). Quarterly growth of total assets was driven by rising AUM of QRS Agresywny (22% q/q), QRS Ochrony Kapitału (11% q/q), QRS Dłużny Krótkoterminowy (21% q/q) and QRS Obligacji Skarbowych (6% q/q).
- In 2Q23 **net flows** to Quercus TFI amounted to PLN +105m (vs. PLN -4m in 1Q23 and vs. PLN -304m in 2Q22). In FY 2022 net flows came in at PLN -1,167m.
- **Teleconference** with CEO takes place today, August 11, at 14:00 via MS Teams.

Our view: POSITIVE

2Q23 net profit of Quercus TFI came in at PLN 4.0m and was 6% above our expectations and 12% above consensus. Earnings beat was mostly driven by better than expected revenues supported by slightly higher management fee and better results of Xelion. Higher revenues were partly offset by slightly higher costs and lower net financial income. While 2Q23 bottom line was only slightly above our expectations, we point at very solid provision for success fee that in 2Q23 increased to PLN 11.3m from PLN 6.7m in 1Q23. Competitive environment for fund managers remains challenging (competition from banking deposits and retail treasury bonds). However, over the last months Quercus has been consequently raising its AUM (+6% m/m in Jul'23, +4% m/m in Jun'23, +2% m/m in May'23) and reports positive flows (PLN +118m in Jul'23 vs. PLN +50m in Jun'23 and PLN +53m in May'23) supported by good rates of returns of QRS's funds.

Quercus TFI – P&L, PLN mn

	2Q22	3Q22	4Q22	1Q23	2Q23	y/y	q/q	Pekao	vs. Pekao
Revenues	23.5	22.0	19.8	20.9	23.8	1%	14%	22.1	8%
Management fee	12.3	11.3	10.8	11.1	12.5	2%	13%	11.8	6%
Total costs	-20.2	-18.4	-16.8	-19.8	-21.2	5%	7%	-20.4	4%
EBIT	3.4	3.6	3.0	1.1	2.6	-23%	142%	1.7	55%
Net profit	3.3	2.9	4.6	3.3	4.0	24%	23%	3.8	6%
AUM eop	3 283	2 957	3 054	3 187	3 441	5%	8%		
AUM average	3 586	3 156	2 969	3 129	3 296	-8%	5%		

Source: Company, Pekao Equity Research

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