

# Quercus TFI

## 2Q23 Results Preview

Quercus TFI is due to publish its 2Q23 results on 11th August

We expect 2Q23 net profit of PLN 3.5m (+5% q/q, +6% y/y), driven by:

- **AuM and yield:** AuM reached PLN 3,441m (+7.9% q/q) in June, while average AuM reached PLN 3,296m in the quarter (+5% q/q and -8% y/y). We estimate management fee yield will reach 1.40% in 2Q23 vs 1.42% in 1Q23. A somewhat negative change in the management fee yield should be driven by change in asset mix towards lower yield funds, as inflows were mostly noticed in lower-yield funds.
- **Revenues:** As a result of aforementioned we estimate revenues from management fee amounted to PLN 11.6m (+4% q/q, -6% y/y). We also estimate distribution fee will reach PLN 10.2m (+4% q/q, -9% y/y). Net financial income expected at PLN 2.0m supported by high interest on deposits.
- **OPEX:** We assume distribution costs to reach 9.3m (+6% q/q, -7% y/y), which amounts to 43% of revenues i.e. slightly higher than last quarter. Other OPEX is expected to reach PLN 10.1m (-9% q/q, -2% y/y) i.e. 46% of revenues. Lower q/q due to PLN 1m provisions on Capitea).

**Opinion: Positive.** Sales had revived to PLN 104m in 2Q23 vs PLN 2m in 1Q23. Higher AUM amid lower yields should be supportive for revenues. We assume no success fee to be booked this quarter, but positive performance of the funds y/y, should lead to mounting potential success fee reserve (we expect additional PLN 5m vs PLN 6.8m reported in 1Q23)

Figure 1. QUERCUS TFI - Forecast summary

Quercus TFI P&L (PLN m)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	q/q	y/y
<b>Revenues</b>	<b>12.0</b>	<b>13.4</b>	<b>15.3</b>	<b>42.3</b>	<b>27.8</b>	<b>23.5</b>	<b>22.0</b>	<b>19.8</b>	<b>20.9</b>	<b>21.7</b>	<b>4%</b>	<b>-8%</b>
Management fee	11.6	13.1	14.7	16.4	13.8	12.3	11.3	10.8	11.1	11.6	4%	-6%
Success fee	0.0	0.2	0.3	17.7	0.0	0.0	0.0	1.2	0.0	0.0	n.m.	n.m.
Distribution fee	0.0	0.0	0.0	8.1	11.7	11.2	9.9	8.9	9.8	10.2	4%	-9%
<b>OPEX</b>	<b>9.8</b>	<b>10.6</b>	<b>10.1</b>	<b>26.9</b>	<b>21.5</b>	<b>20.2</b>	<b>18.4</b>	<b>18.1</b>	<b>19.8</b>	<b>19.3</b>	<b>-3%</b>	<b>-4%</b>
Distribution	4.3	5.0	5.4	9.4	11.5	9.9	8.5	7.4	8.8	9.3	6%	-7%
SG&A	5.5	5.6	4.7	17.6	10.0	10.3	9.9	10.7	11.1	10.1	-9%	-2%
Net Other Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<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>1.7</b>	<b>1.1</b>	<b>2.4</b>	<b>127%</b>	<b>-28%</b>
Net financial income	2.1	1.5	-0.1	1.6	-0.9	0.7	0.1	2.8	3.1	2.0		
<b>Gross profit</b>	<b>4.2</b>	<b>4.3</b>	<b>5.2</b>	<b>16.9</b>	<b>5.4</b>	<b>4.1</b>	<b>3.7</b>	<b>4.5</b>	<b>4.2</b>	<b>4.4</b>	<b>5%</b>	<b>7%</b>
Tax	0.5	0.7	1.0	3.1	0.9	0.7	0.6	0.7	0.8	0.8		
Minorities					0.1	0.1	0.2	0.2	0.1	0.1		
<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>3.5</b>	<b>3.3</b>	<b>3.5</b>	<b>5%</b>	<b>6%</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>4Q22</b>	<b>1Q23</b>	<b>2Q23E</b>	<b>q/q</b>	<b>y/y</b>
Average AuM (PLN m)	3 190	3 561	3 888	4 108	4 234	3 585	3 155	2 969	3 129	3 296	5%	-8%
AuM (eop, PLN m)	3 448	3 806	3 943	4 438	3 874	3 280	2 957	3 054	3 187	3 441	8%	5%
Management fee yield	1.45%	1.47%	1.51%	1.60%	1.31%	1.37%	1.43%	1.45%	1.42%	1.40%	-1%	2%
Success fee* (PLN m)	6.7	8.1	3.8	0.0	0.0	0.0	0.0	1.2	6.8	5.0		
Distribution / revenues	36%	37%	35%	22%	41%	42%	39%	37%	42%	43%		
SG&A/ revenues	46%	42%	31%	42%	36%	44%	45%	54%	53%	46%		
Effective tax rate	13.0%	17.0%	19.8%	18.5%	17.0%	18.2%	16.5%	16.5%	19.0%	19.0%		

Source: Company, IPOPEMA Research

Financials

## QUERCUS TFI

### U/R

Price as of 05 July 2023 PLN 3.80

#### Analyst

Marta Czajkowska-Bałdyga  
 marta.czajkowska@ipopema.pl  
 + 48 22 236 92 31

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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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	Number	%
Buy	73	72%
Hold	21	21%
Sell	7	7%
Total	101	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	-		