

Quercus TFI

3Q23 net profit slightly above estimates. PLN 17m provision for success fee.

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Quercus TFI released 3Q23 figures with the following highlights:

- **3Q23 net profit** of Quercus TFI came in at PLN 4.7m (60% y/y, 15% q/q) and was 6% above our estimates (PLN 4.4m). Slight earnings beat was driven by slightly lower than expected costs. Revenues and net financial income came broadly in line with our forecasts.
- **Management fee** in 3Q23 amounted to PLN 13.9m (23% y/y, 11% q/q) and was in line with our expectations. In 3Q23 share of low margin debt funds in total AUM came in at 43% on average (vs. 43% in 2Q23 and 51% in 3Q22). Revenues from purchased redemption orders went up 12% y/y (0% q/q).
- At the end of 3Q23 total provision for **success fee** increased to **PLN 17.1m** from PLN 11.3m in 2Q23.
- **Total costs** in 3Q23 came in at PLN 21.5m (17% y/y, 1% q/q) and were 2% below our estimates. Distribution costs went up 19% y/y, staff costs increased 9% y/y, external services costs grew 6% q/q and other costs increased 49% q/q.
- At the end of 3Q23 **AUM** of Quercus TFI came in at PLN 3,821m (29% y/y, 11% q/q). Y/y growth was driven by rising assets of QRS Ochrony Kapitału (51% y/y), QRS Agresywny (76% y/y) and QRS Dłużny Krótkoterminowy (58% y/y). Quarterly growth of total assets was driven by rising AUM of QRS Ochrony Kapitału (38% q/q) and QRS Agresywny (36% q/q).
- In 3Q23 **net flows** to Quercus TFI amounted to PLN +331m (vs. PLN 105m in 2Q23 and vs. PLN -350m in 3Q22). In 9M23 net flows came in at PLN 432m vs. PLN -1,167m in FY 2022.
- **Teleconference** with CEO takes place today, October 20, at 14:00 via MS Teams (or at Zubra 1 Street, Warsaw, 3rd floor, room Słodowiec).

Our view: POSITIVE

3Q23 net profit of Quercus TFI came in at PLN 4.7m and was 6% above our expectations due to slightly lower than expected total costs (mainly distribution costs). Revenues (incl. management fee) and net financial income were broadly in line with our expectations. What we find positive is a decent improvement of provision for success fee to PLN 17.1m from PLN 11.3m after 1H23. 3Q23 saw further growth of AUM (11% q/q) supported by positive rates of return of QRS's funds and – for the second quarter in a row - positive (and improving) net flows. Fund managers are being helped by declining interest rates and neutral or supportive market environment (very solid YTD rates of return of debt-based products). In our earnings estimates we assume Quercus TFI to deliver FY 2023e net profit at PLN 23.7m supported by PLN 15m success fee. We see upside for our estimates as long as the company is able to maintain or improve current level of provision for success fee.

Quercus TFI – P&L, PLN mn

	3Q22	4Q22	1Q23	2Q23	3Q23	y/y	q/q	Pekao	vs. Pekao
Revenues	22.0	19.8	20.9	23.8	25.2	15%	6%	25.2	0%
- incl. management fee	11.3	10.8	11.1	12.5	13.9	23%	11%	13.7	1%
Total costs	-18.4	-13.7	-19.8	-21.2	-21.5	17%	1%	-22.0	-2%
EBIT	3.6	6.1	1.1	2.6	3.7	2%	42%	3.1	16%
EBITDA	4.7	7.0	2.0	3.5	4.6	-2%	32%	4.0	14%
Net financial income	0.1	2.8	3.1	2.6	2.5	1751%	-7%	2.5	-2%
Pre-tax profit	3.7	8.8	4.2	5.2	6.1	65%	17%	5.6	8%
Net profit	2.9	7.5	3.3	4.0	4.7	60%	15%	4.4	6%
AUM eop	2 957	3 054	3 187	3 441	3 821	29%	11%		
AUM average	3 156	2 969	3 129	3 296	3 653	16%	11%		

Source: Company, Pekao Equity Research

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Michał Fidelus	Expert, Analyst	Quercus TFI	0			

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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.

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

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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.

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