

Quercus TFI

2Q22 Results Review

Quercus TFI reported PLN 3.3m (-27% q/q, -8% y/y) consolidated net profit in 2Q22, in line with consensus estimates at PLN 3.3m (source: PAP), and 4% above our forecast of PLN3.1m. This was driven by:

- **AuM yield:** Management fee yield reached 1.37% vs. 1.50% year ago (effect of reduced maximum fees in Poland). Lower than we expected @ 1.50%.
- **Average AuM** reached PLN 3,585m in the quarter (+1% y/y).
- **Revenues:** Reached PLN 23.4m (-8% q/q, +76% y/y) in 2Q22, this includes PLN 12.3m (-11% q/q, -8% y/y) in assets management segment, below our expectations of PLN 13.4m, and PLN 11.1m (-5% q/q) in distribution fee vs our expectations for PLN 8.8m.
- **OPEX:** Distribution costs reached PLN 9.9m what constituted for 42% of revenues up from 38% a year ago. SG&A costs reached PLN 8.1m (+183% y/y) and came 6% below expectations.
- **Success fee:** No success fee has been recognised in 1H22.
- **Xelion contribution:** Revenues PLN 12.6m (-7% q/q), net profit PLN 0.4m (-20% q/q) in 2Q22, but 1Q22 results included sale of 25% shares to key management and advisors.
- **Xelion AUM** - Investment funds and other financial instruments PLN 3.43bn (-14% ytd), Asset management PLN 1.35 bn (+16% ytd).
- **Dividend:** Dividend policy (buy-back or dividend) of up to 100% of stand-alone net profit has been maintained.

OPINION. Neutral. Net profit came in line with expectations amid revenues 3% stronger-than-consensus, driven by higher-than-anticipated distribution fee (-5% q/q). Costs (+129% y/y) came 4% above expectations, especially in distribution costs. Quercus TFI has also booked PLN 2.1m net loss on other operations. Contribution from Xelion was positive @ PLN 0.4m (-20% q/q).

Figure 1. Financial Data summary

Quercus TFI P&L (PLN m)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	q/q	y/y	ipopvs. lpo	Cons.	vs. Cons	
Revenues	11.6	13.3	15.3	42.8	25.6	23.4	-8%	76%	22.3	5%	22.7	3%
Management fee	11.6	13.3	15.0	14.4	13.8	12.3	-11%	-8%	13.4	-9%		
Success fee	0.0	0.2	0.3	17.7	0.0	0.0	n.m.	-100%	0.0			
Distribution fee	0.0	0.0	0.0	9.6	11.7	11.1	-5%	n.m.	8.8			
OPEX	7.0	7.9	10.1	32.5	19.4	18.0	-7%	129%	17.4	4%		
Distribution	4.3	5.0	5.4	9.4	11.5	9.9	-14%	98%	8.7	13%		
SG&A	2.7	2.9	4.7	23.2	7.9	8.1	3%	183%	8.7	-6%		
Net Other Income	-2.4	-2.7	0.0	0.0	0.1	-2.1			1.0			
EBIT	2.1	2.8	5.3	15.3	6.3	3.4	-47%	21%	4.9	-31%	3.8	-12%
Gross profit	4.2	4.3	5.1	16.9	5.4	4.1	-25%	-4%	3.9	6%		
Tax	0.5	0.7	1.0	3.1	0.9	0.7			0.7	2%		
Minorities					0.1	0.1			0.2			
Net profit	3.7	3.5	4.1	13.8	4.5	3.3	-27%	-8%	3.1	4%	3.3	-1%
Key figures	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	q/q	y/y	2Q22			
Average AuM (PLN m)	3 190	3 561	3 888	4 108	4 234	3 585	-15%	1%	3 585			
AuM (eop, PLN m)	3 448	3 806	3 943	4 438	3 874	3 280	-15%	-14%	3 280			
Management fee yield	1.45%	1.50%	1.55%	1.40%	1.31%	1.37%	5%	-9%	1.50%			
Distribution / revenues	37%	38%	35%	22%	45%	42%			39%			
SG&A/ revenues	23%	21%	31%	54%	31%	35%			39%			
Effective tax rate	13.0%	17.2%	19.9%	18.4%	17.0%	18.2%			19.0%			

Source: Company, IPOPEMA Research

Teleconference with CEO Sebastian Buczek today @ 2:00 CEST Link: [LINK](#)

Financials

QUERCUS TFI

U/R

Price as of 11 August 2022 PLN 3.30

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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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Buy	Above 10%
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IPOPEMA Research - Distribution by rating category (April 1 – June 30, 2022)

	Number	%
Buy	17	71%
Hold	5	21%
Sell	2	8%
Total	24	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	-		