

Quercus TFI

3Q20 Results Review

3Q20 net profit reached PLN 2.8m (+1% q/q, +1% y/y) 19% above our estimates, driven by:

- **AuM yield:** Management fee yield reached 2.05% vs. 2.13% in previous quarter and 2.1% expected by us.
- **Revenues:** Management fee grew by 11% q/q to PLN 12.8m, 2% below estimates. Revenues from success fee reached PLN 0.4m, while we expected no revenues.
- **OPEX:** Distribution costs reached PLN 6.1m what constituted for 47% of revenues up from 46% a year ago and 44% a quarter ago.
- Company booked PLN 0.4m **reversal of provision** for GetBack bonds in the quarter.
- As of end of 3Q20 Quercus TFI had PLN 26.7m of **cash and equivalents** and PLN 36.4m of **financial assets**.
- Conditional receivables from **success fee** amounted to PLN 6.6m as of end of 3Q20 (versus PLN 5.4m as of end of Q2).

***OPINION.** Neutral. Results adjusted by reversal of provisions for GetBack bonds, which was not included in our estimates are in line with our forecasts. Slightly lower revenues from management fee and higher distribution costs were offset by success fee booked in the quarter.*

Conference call with CEO Sebastian Buczek today

Time: 14:00

Video-conference [LINK](#)

or

Audio only

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Figure 1. Summary of Financial Data

P&L	3Q19	2Q20	3Q20	q/q	y/y	lpo	vs. lpo	9M19	9M20	y/y
Revenues	14.1	11.5	13.2	14%	-7%	13.1	0%	40.7	37.8	-7%
Management fee	14.1	11.5	12.8	11%	-10%	13.1	-2%	40.7	37.4	-8%
Success fee	0.0	0.0	0.4			0.0		0.0	0.4	
Distribution fee	0.0	0.0	0.0			0.0		0.0	0.0	
OPEX	10.8	9.3	10.3	10%	-5%	10.3	0%	32.3	30.2	-6%
Distribution	6.5	5.0	6.1	22%	-6%	5.8	5%	19.3	17.3	-11%
SG&A	4.3	4.3	4.1	-4%	-4%	4.4	-7%	13.0	12.9	0%
Net Other Income	-0.1	-1.0	-0.9			0.0		0.5	-1.3	
EBIT	3.3	1.2	2.0	66%	-39%	2.8	-30%	8.9	6.3	-29%
Net financial income	0.2	2.2	1.4			0.1		0.0	3.7	
Gross profit	3.5	3.4	3.4			2.9	16%	8.9	10.0	13%
Tax	0.7	0.6	0.6			0.6	4%	1.7	1.7	
Net profit	2.8	2.8	2.8	1%	1%	2.4	19%	7.2	8.4	17%
Key figures	3Q19	2Q20	3Q20	q/q	y/y	lpo		9M19	9M20	y/y
Average AuM (PLN m)	2 539	2 167	2 490	15%	-2%	2 490		2 504	2 436	-3%
AuM (eop, PLN m)	2 544	2 283	2 605	14%	2%	2 605		2 544	2 605	2%
Management fee yield	2.23%	2.13%	2.05%	-3%	-8%	2.10%		2.17%	2.05%	-6%
Distribution / revenues	46%	44%	47%			45%		47%	46%	
SG&A/ revenues	30%	37%	31%			34%		32%	34%	
Effective tax rate	19.4%	17.7%	17.1%			19.0%		19.5%	16.7%	

Source: Company, IPOPEMA Research

Financials

Quercus TFI

Not rated

Price as of 16 Oct 2020 PLN 3.42

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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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