

Quercus TFI

4Q21E Results Preview

Quercus TFI is due to publish its 4Q21 results on February/March

We expect 4Q21 consolidated net profit of PLN 11.0m (+168% q/q, +15% y/y), leading to 2021 net profit of PLN 22.3m (+25% y/y), driven by:

- **AuM and yield:** Average AuM reached PLN 4,438m in the quarter (+13% q/q and +54% y/y). We estimate management fee yield will reach 1.54% in 4Q21. This is somewhat lower than in 3Q21, as the latest jump in AUM was driven by institutional flow, putting pressure on the yield. A positive trend in underlying management fee should be maintained, given supportive change in asset mix towards higher yield funds.
- **Revenues:** We estimate revenues from management fee amounted to PLN 15.8m (+5% q/q, +12% y/y). We expect success fee to amount to PLN 18.1m (+41% y/y), similar to 3Q21 conditional revenues, as not all funds have reached high-water mark set, despite good performance.
- **OPEX:** We assume distribution costs to reach 7.8m (+24% y/y), which amounts to 20% of revenues i.e. similar to last year. Other OPEX is expected to reach PLN 13.0m (+36% y/y) given strong growth in personnel expenses in performance-linked part of the remuneration.

Results should be affected by first-time consolidation of DI Xelion, acquired on October 29.

Financials

QUERCUS TFI

Under Review

Price as of 3 January 2022 PLN 4.20

Figure 1. Financial Data summary

Quercus TFI P&L (PLN m)	4Q20	3Q21	4Q21E	q/q	y/y	2020	2021E	y/y
	uncons.	consolid.	consolid.			uncons.	consolid.	
Revenues	26.9	15.3	33.9	121%	26%	63.1	74.6	18%
Management fee	14.1	15.0	15.8	5%	12%	50.3	55.7	11%
Success fee	12.8	0.3	18.1		41%	12.8	18.9	47%
Distribution fee	0.0	0.0	0.0			0.0	0.0	
OPEX	15.0	10.1	19.8	97%	32%	44.5	50.3	13%
Distribution	5.5	5.4	6.8	27%	24%	20.7	21.5	4%
SG&A	9.5	4.7	13.0	176%	36%	23.8	28.8	21%
EBIT	11.1	5.3	14.1	167%	27%	17.4	24.3	40%
Gross profit	11.8	5.1	13.9	172%	19%	21.7	27.6	27%
Tax	2.1	1.0	2.9			3.8	5.2	
Net profit	9.6	4.1	11.0	168%	15%	17.9	22.3	25%
Key figures	4Q20	3Q21	4Q21E	q/q	y/y	2020	2021E	y/y
Average AuM (PLN m)	2 691	3 888	4 108	6%	53%	2 501	3 687	47%
AuM (eop, PLN m)	2 879	3 943	4 438	13%	54%	2 879	4 438	54%
Management fee yield	2.10%	1.55%	1.54%	-1%	-27%	2.01%	1.51%	-25%
Distribution / revenues	20%	35%	20%			33%	29%	
SG&A/ revenues	35%	31%	38%			38%	39%	
Effective tax rate	18.3%	19.9%	21.0%			17.6%	18.9%	

Source: Company, IPOPEMA Research

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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%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (Oct 1 – Dec 31, 2021)

	Number	%
Buy	44	64%
Hold	10	14%
Sell	15	22%
Total	69	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	-		