

## Quercus TFI

### 4Q22 net profit broadly in line with our expectations

Quercus TFI released 4Q22 figures with the following highlights:

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- **4Q22 net profit** of Quercus TFI came in at PLN 3.5m (-68% y/y, 20% q/q) and was 12% above our estimates (PLN 3.1m). Earnings beat was driven by much better than expected net financial income (PLN 2.8m vs. PLN 0.1m in 3Q22 due to positive financial costs - result on investments). Revenues came 12% below our expectations mainly due to slightly lower than expected numbers of Xelion coupled with some negative impact from other operating income (negative line of release of provisions for future liabilities). Costs came better than expected (-6% vs. our estimates).
- **Fixed fee** in 4Q22 amounted to PLN 10.8m (-4% q/q) and was in line with our expectations. In 4Q22 share of low margin debt funds in total AUM dropped to 45% on average (from 48% in 3Q22). At the end of 4Q22 **success fee** came in at PLN 1.2m (vs. PLN 2.8m at the end of 3Q22).
- **Total costs** in 4Q22 came in at PLN 18m (-2% q/q) and were 6% below our estimates. Distribution costs dropped -13% q/q, staff costs declined -5% q/q, external services costs increased 15% q/q and other costs went up 46% q/q.
- At the end of 4Q22 **AUM** of Quercus TFI came in at PLN 3,054m (-31% y/y, 3% q/q). Y/y drop was predominantly driven by declining assets of QRS Ochrony Kapitału (-46% y/y), QRS Dłużny Krótkoterminowy (-51% y/y), QRS Agresywny (-38% q/q) and QRS Global Balanced (-52% y/y). The drops were to a very small extent offset by rising assets of QRS short (49% y/y). Quarterly growth of assets was driven by rising AUM of QRS Agresywny (25% q/q) and QRS lev (73% q/q), that were only partly offset by declining AUM of QRS Ochrony Kapitału (-5% q/q) and QRS Dłużny Krótkoterminowy (-13% q/q).
- In 4Q22 **net flows** to Quercus TFI amounted to PLN -114m (vs. PLN -350m in 3Q22 and vs. PLN +1,302m in FY 2021). In FY 2022 net flows came in at PLN -1,167m.
- **Teleconference** with CEO takes place on Wednesday, March 29, at 09:00 via MS Teams.

#### Our view: NEUTRAL

4Q22 net profit of Quercus TFI came above our estimates, but earnings beat was driven by additional – most likely non-recurring – items incl. positive financial costs. Fixed fee and success fee came in line with our expectations. While success fee was far from impressive (and much lower y/y), we point at challenging market conditions. We see the numbers as neutral. 4Q22 was better than 3Q22 in terms of net flows (PLN -114m vs. PLN -350m in 3Q22) and AUM saw a quarterly growth (3% q/q). Environment remains tough (strong competition from banking deposits and retail treasury bonds coupled with ESMA regulations), but FY 2022 net profit at PLN 14.1m achieved in difficult markets we see as relatively solid.

#### Quercus TFI – P&L, PLN mn

	4Q21	1Q22	2Q22	3Q22	4Q22	y/y	q/q	Pekao	vs. Pekao
Revenues	37.2	27.8	23.5	22.0	19.8	-47%	-10%	22.5	-12%
Fixed fee	18.9	13.8	12.3	11.3	10.8	-43%	-4%	10.8	-1%
Success fee	18.3	0.0	0.0	0.0	1.2	na	na	1.1	na
Total costs	-19.6	-21.5	-20.2	-18.4	-18.1	-8%	-2%	-19.3	-6%
EBIT	14.6	6.3	3.4	3.6	1.7	-88%	-53%	3.3	-48%
<b>Net profit</b>	<b>11.0</b>	<b>4.5</b>	<b>3.3</b>	<b>2.9</b>	<b>3.5</b>	<b>-68%</b>	<b>20%</b>	<b>3.1</b>	<b>12%</b>
AUM eop	4 438	3 874	3 283	2 957	3 054	-31%	3%		
AUM average	4 108	4 234	3 586	3 156	2 969	-28%	-6%		

Source: Company, Pekao Equity Research

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