

Quercus TFI

Not willing to stop

We lift our 12M TP for Quercus TFI to PLN 8.6/share from PLN 7.5 previously and maintain our Buy rating. Quercus delivered strong 2Q24 results and does not plan to stop with AUM rising 3-4% per month supported by good results of managed investment funds and positive flows. We raise our EPS estimates by 9/10% and expect 2024e net profit at PLN 38m to be followed by still decent PLN 31m in 2025e. We note, that QRS benefits from strong offer of debt-based funds, that may stabilize company's AUM trough attracting customers even in more turbulent developments in equity markets.

Strong 2Q24 results – 2Q24 net profit came in at PLN 9.4m (134% y/y) and was 26% above our estimates driven by very strong management fee and better performance of Xelion. AUM grew 10% q/q and provisions for success fee increased to PLN 11.8m.

Further AUM growth in Jul'24 – After encouraging 2Q24, AUM remain on the growth path with another 3% improvement in Jul'24 driven by continuously rising assets of debt funds (Ochrony Kapitału, Dłużny Krótkoterminowy, Obligacji Skarbowych). Net flows reached PLN 197m vs. PLN 375m in 2Q24, PLN 1,056m YTD and vs. PLN 693m in 2023.

Changes to 2024/25e earnings estimates – Higher than assumed AUM growth in recent months and solid rates of returns of managed investment funds prompted us to lift our AUM estimates by 6/13% in 2024/25e. This, coupled with better than expected 2Q24 results made us increase our net profit estimates by 9% in 2024e (to PLN 38.4m) and by 10% in 2025e (to PLN 31.4m).

More permanent shift in earnings for fund managers? – Current - supportive for fund managers - environment has a chance to be continued for longer period of time, in our view. Over-liquidity of banks coupled with incoming interest rate cuts shall attract customers to look for more attractive (and predictable) rates of return offered by debt funds.

Multiples still not demanding – At our estimates Quercus TFI is trading at 9.9/12.1x 2024/25e P/E, with 27/2% discount to peers, respectively. Sustainable distribution of profits, good earnings momentum and healthy EPS outlook make current valuation still not demanding, we believe.

Key risks – Regulatory risk, dependence on market developments and investment results are key risks to our valuation and estimates.

Quercus TFI - Key figures, 2022-2027e

PLNm unless otherwise stated

	2022	2023	2024e	2025e	2026e	2027e
Revenues	93.1	118.5	147.0	146.9	145.4	142.5
EBITDA	19.2	27.8	39.9	34.8	31.6	27.9
Net profit	14.1	31.0	38.4	31.4	27.1	23.0
- y/y change	-44%	120%	24%	-18%	-14%	-15%
Dividend yield (%)	5.4%	3.1%	7.8%	10.0%	8.2%	7.2%
P/E (x)	29.3	13.0	9.9	12.1	14.1	16.6
P/BV	5.1	4.1	3.5	3.6	3.7	3.8

Source Company, Pekao Equity Research

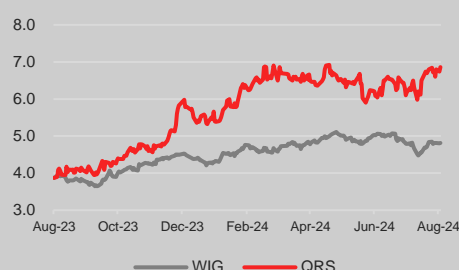
Buy (update)

Target price **PLN 8.6**

Upside to TP **+17%**
 Price on 28 August 2024 **PLN 7.32**

ESG rating **B**
Final ESG Score **1.19**

Relative share price performance vs. WIG



UPCOMING EVENTS

3Q24 results 21 October

STOCK DATA

Bloomberg QRS PW
 Free float (%) 48.1
 Market capitalization (PLNm) 404
 Diluted no. of shares (mn) 52.1

Shareholders
 Sebastian i Anna Buczek 18.2%
 Jakub Głowacki 16.1%
 Zbigniew Juroszek 9.0%
 OFE NN 7.2%

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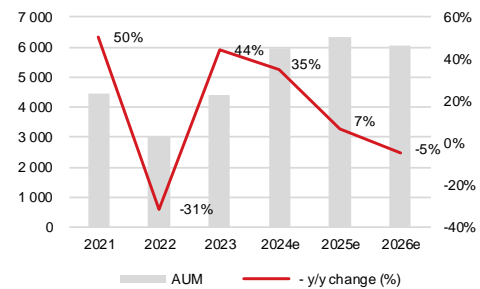
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Key financials

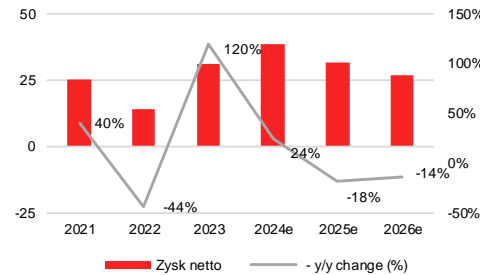
P&L	2022	2023	2024e	2025e	2026e	2027e
Revenues	93.1	118.5	147.0	146.9	145.4	142.5
- Management fee	48.6	69.9	75.8	80.2	78.6	74.9
- Purchase/redemption orders	39.0	42.2	51.6	51.5	53.4	54.0
Expenses	-78.1	-93.7	-111.1	-116.2	-118.0	-118.8
Distribution costs	-37.3	-39.5	-51.6	-55.7	-55.0	-54.0
Staff costs	-20.8	-27.8	-32.9	-33.9	-36.6	-38.4
External services	-6.1	-6.1	-6.2	-6.6	-7.1	-7.4
Other operating costs	-9.6	-17.2	-16.5	-15.9	-15.1	-14.8
D&A	-4.3	-3.1	-4.0	-4.1	-4.2	-4.2
EBIT	14.9	24.7	35.9	30.7	27.5	23.7
EBITDA	19.2	27.8	39.9	34.8	31.6	27.9
Net financial income	2.8	14.6	13.4	10.2	8.0	6.7
Pre-tax profit	17.7	39.3	49.3	40.8	35.5	30.4
Income tax	-3.0	-7.6	-9.3	-7.8	-6.7	-5.8
Net profit	14.7	31.7	39.9	33.1	28.7	24.6
Net profit for majority shareholders	14.1	31.0	38.4	31.4	27.1	23.0
Balance sheet	2022	2023	2024e	2025e	2026e	2027e
Tangible assets	5.9	6.1	6.1	6.4	6.8	7.5
Financial assets	72.9	85.0	87.7	90.8	94.4	98.8
Fixed assets	88.1	100.8	103.5	106.8	111.0	116.0
Receivables	10.9	33.7	21.2	21.6	22.1	22.5
Cash & equivalents	58.2	68.5	84.5	75.5	69.4	62.4
Current assets	69.9	103.7	107.1	98.5	92.9	86.3
Total assets	158.0	204.5	210.6	205.4	203.8	202.3
Equity for majority shareholders	81.1	99.4	109.7	104.8	102.1	99.4
Provisions for liabilities	15.1	22.0	22.4	22.2	22.5	22.8
Leasing	3.1	3.0	3.0	3.0	3.0	3.0
Long-term liabilities	18.7	25.2	25.6	25.4	25.7	26.0
Trade liabilities	3.8	4.1	4.1	4.1	4.1	4.1
Liabilities to customers	39.8	49.3	44.4	43.9	44.4	45.0
Short-term liabilities	53.0	74.4	69.8	69.6	70.5	71.4
Equity and liabilities	158.0	204.5	210.6	205.4	203.8	202.3
Cash flow	2022	2023	2024e	2025e	2026e	2027e
Net profit	14.7	31.0	38.4	31.4	27.1	23.0
D&A	4.3	3.1	4.0	4.1	4.2	4.2
Financial expenses	0.2	0.2	0.4	0.3	0.1	0.1
Other	-20.3	5.7	9.7	0.7	2.2	2.2
Operating cash flow	-1.1	26.0	52.5	36.6	33.5	29.4
Proceeds from financial assets sales	7.9	0.0	0.0	0.0	0.0	0.0
Capex	-1.5	-1.9	-2.1	-2.3	-2.5	-2.8
Financial assets spending	-5.7	-2.1	-2.5	-2.9	-3.5	-4.2
Investing cash flow	3.4	-1.1	-6.5	-7.3	-8.1	-9.1
Shares issue	0.0	0.0	0.0	0.0	0.0	0.0
Dividend/buy-back	-22.3	-12.7	-29.7	-37.9	-31.4	-27.3
Other	-2.5	-1.9	-0.4	-0.3	-0.1	-0.1
Financial cash flow	-24.9	-14.5	-30.0	-38.3	-31.5	-27.4
Cash at the beginning of period	80.7	58.2	68.5	84.5	75.5	69.4
Cash at the end of period	58.2	68.5	84.5	75.5	69.4	62.4
Key data	2022	2023	2024e	2025e	2026e	2027e
AUM (PLNm)	3 054	4 409	5 945	6 338	6 033	5 748
- y/y change (%)	-31%	44%	35%	7%	-5%	-5%
Average AUM (PLNm)	3 512	3 551	5 177	6 141	6 185	5 891
- y/y change (%)	-5%	1%	46%	19%	1%	-5%
ROE (%)	17%	34%	37%	29%	26%	23%
ROA (%)	8%	17%	19%	15%	13%	11%
Net profit margin (%)	15%	26%	26%	21%	19%	16%
Margin on average AUM (%)	0.4%	0.9%	0.7%	0.5%	0.4%	0.4%
Dividend payout/buy-back ratio	89%	86%	94%	95%	95%	95%
Dividend yield (%)	5.4%	3.1%	7.8%	10.0%	8.2%	7.2%
Number of shares (m)	56.5	55.2	52.1	52.1	52.1	52.1
P/E (x)	29.3	13.0	9.9	12.1	14.1	16.6
P/BV (x)	5.1	4.1	3.5	3.6	3.7	3.8

Source: Company, Pekao Equity Research

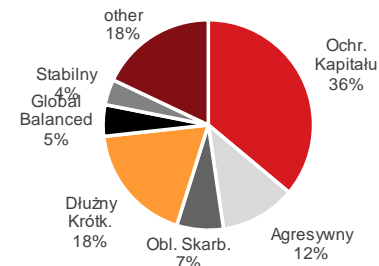
AUM (PLNm) and y/y change (%)



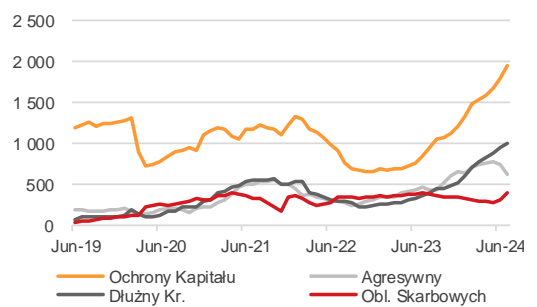
Net profit (PLNm) and y/y change (%)



AUM structure (%), Apr'24



AUM of key funds (PLNm)



Key risks to our forecasts and estimates:

1) Dependence on market developments – Negative market performance or unexpected turbulence may have negative impact on rates of return of managed funds, flows and company's revenues, 2) Risk of high interest rates – If interest rates in Poland are higher for longer, clients may stay with banks/Treasury bonds instead of shifting to investment funds, 3) Risk of weak performance of funds – Negative or weak rates of return of managed funds may result in outflow of funds and drop of AUM, 4) Regulatory risk – We point at a risk of new regulations that may limit fund management business, 5) Distribution risk – Changes in external distribution channels may negatively affect flows to Quercus TFI's funds and company's financial results, 6) Key fund managers leave risk – We point at risk of deterioration of rates of return if key fund managers decide to leave the company.

Changes to 2024-25e estimates

Better than expected AUM growth in recent months, higher inflows to funds and solid rates of returns of managed investment funds prompted us to lift our AUM estimates by 6% in 2024e and by 13% in 2025e. This, coupled with better than expected 2Q24 results prompted us to lift our net profit estimates by 9% in 2024e (to PLN 38.4m) and by 10% in 2025e (to PLN 31.4m).

- Better than expected AUM growth in recent months coupled with higher than assumed inflows to QRS's funds and solid rates of returns of managed investment funds prompted us to lift our AUM estimates by 6% in 2024e and by 13% in 2025e. This, coupled with stronger than expected 2Q24 results made us increase our revenues estimates by 3/2% in 2024/25e.
- With slightly higher opex forecasts we lift our EBITDA estimates by 6/1% in 2024/25e. To reflect changed expectations on interest rates in Poland and Capitea-related bookings, we lift our net financial income estimates by 19/52% in 2024/25e. As a result, we arrive at net profit at PLN 38.4m in 2024e (up 9%) and at PLN 31.4m in 2025e (up 10%).

Quercus TFI – Changes to 2024-2026e earnings estimates

PLNm unless otherwise stated

	2024			2025e			2026e		
	Previous	Current	Change (%)	Previous	Current	Change (%)	Previous	Current	Change (%)
Revenues	143.3	147.0	3%	144.6	146.9	2%	145.5	145.4	0%
Costs	-109.8	-111.1	1%	-114.5	-116.2	1%	-119.9	-118.0	-2%
EBIT	33.5	35.9	7%	30.1	30.7	2%	25.6	27.5	7%
EBITDA	37.8	39.9	6%	34.5	34.8	1%	30.1	31.6	5%
Net financial income	11.2	13.4	19%	6.7	10.2	52%	5.7	8.0	40%
Pre-tax profit	44.7	49.3	10%	36.8	40.8	11%	31.3	35.5	13%
Net profit	36.4	39.9	10%	29.8	33.1	11%	25.4	28.7	13%
Net profit (majority sh.)	35.2	38.4	9%	28.7	31.4	10%	24.2	27.1	12%
AUM (eop)	5 612	5 945	6%	5 620	6 338	13%	5 548	6 033	9%
AUM (average)	5 011	5 177	3%	5 616	6 141	9%	5 584	6 185	11%

Source: Company, Pekao Equity Research estimates



Recent events

AUM in Jul'24 up 57% y/y, 3% m/m

In Jul'24 AUM of Quercus TFI increased 57% y/y (3% m/m). Y/y growth was mostly driven by rising AUM of QRS Ochrony Kapitału (132% y/y), QRS Dłużny Krótkoterminowy (174% y/y) and QRS Agresywny (34% y/y).

Quercus TFI – AUM

PLNm unless otherwise stated

	Dec-23	Mar-24	Apr-24	May-24	Jun-24	Jul-24	y/y	m/m
FIO	3 605	4 218	4 382	4 548	4 740	4 927	68%	4%
Absolute Return FIZ	53	48	57	56	55	53	16%	-4%
Global Balanced Plus FIZ	48	50	42	43	44	42	-9%	-5%
Acer Multistrategy FIZ	83	88	88	88	117	117	98%	0%
Multistrategy FIZ	63	63	60	61	61	58	-4%	-4%
Private Equity Multifund FIZ	5	5	4	4	5	4	-26%	-7%
Alphaset FIZ	184	213	203	203	213	207	15%	-3%
Asset Management	347	355	360	354	314	304	2%	-3%
TOTAL	4 409	5 062	5 219	5 380	5 570	5 735	57%	3%

Source: Company, Pekao Equity Research

Tender offer for 100% stake in Noble Securities

On 3rd of Jul'24 Quercus TFI informed, that placed a tender offer for 100% stake in a local brokerage house Noble Securities. According to press releases, Noble Securities was also a subject of interest of Skarbiec Holding.

Publication of 2Q24 results (on 12th of August)

2Q24 net profit of Quercus TFI came in at PLN 9.4m (134% y/y) and was 26% above our estimates. Earnings beat was driven by much better than expected revenues on the back of higher management fee and better performance of Xelion. We find 2Q24 results of Quercus TFI as positive. Management fee was driven by very strong results of managed investment funds and in 1H24 included PLN 6.5m of success fee (already reported). In the same time revenues from purchase/redemption orders in 2Q24 went up 25% y/y (15% q/q). Provision for success fee improved slightly to PLN 11.8m (from PLN 11m after 1Q24). Costs came 10% higher than we assumed, but were a function of better revenues. 2Q24 saw further growth of AUM (10% q/q) supported by solid rates of return of QRS's funds and positive flows.

Quercus TFI – P&L, PLN mn

	2Q23	3Q23	4Q23	1Q24	2Q24	y/y	q/q	Pekao	vs. Pekao
Revenues	23.8	25.2	48.6	29.7	36.7	54%	24%	31.9	15%
Total costs	-21.2	-19.8	-19.8	-24.7	-27.9	31%	13%	-25.3	10%
EBIT	2.6	3.7	17.4	4.9	8.8	241%	78%	6.6	33%
EBITDA	3.5	4.6	17.8	6.0	9.4	171%	57%	7.7	23%
Net financial income	2.6	2.5	6.4	3.2	3.5	34%	11%	3.0	19%
Pre-tax profit	5.2	6.1	23.8	8.1	12.3	136%	52%	9.6	29%
Net profit	4.0	4.7	19.0	6.5	9.4	134%	46%	7.5	26%
AUM eop	3 441	3 821	4 409	5 062	5 570	62%	10%		
AUM average	3 296	3 653	4 073	4 741	5 308	61%	12%		

Source: Company, Pekao Equity Research



Valuation summary

Our valuation of Quercus TFI is based on discounted cash flow method (DCF) and comparative approach. With 70/30% weights, respectively, we arrive at target price of 8.6/share offering 17% upside potential.

Quercus TFI – Summary of valuation

PLN unless otherwise stated

DCF	8.5
Comparative valuation	8.8
Wighted average	8.6
Target price	8.6
Market price	7.3
Upside/downside (%)	17.5%

Source: Pekao Equity Research

Our discounted cash flow (DCF) model is based on expected free cash flows discounted with weighted average cost of capital (WACC). In our cost of equity calculation we use 5.6% risk free rate (4.0% in terminal), 6.0% risk premium (5.0% in terminal) and 1.0 Beta. We use also growth rate (g) at 3%. Our DCF model implies Quercus TFI's equity value at PLN 8.5/share.

Quercus TFI – Discounted cash flow (DCF) model

PLNm unless otherwise stated

	2024e	2025e	2026e	2027e	2027e	2028e	Terminal
Revenues	147	147	145	143	145	148	148
- y/y change	24%	0%	-1%	-2%	2%	2%	2%
EBIT	36	31	27	24	24	25	25
- y/y change	45%	-15%	-10%	-14%	2%	2%	2%
- EBIT margin	24%	21%	19%	17%	17%	17%	17%
Tax	-7	-6	-5	-4	-5	-5	-5
NOPLAT	29	25	22	19	20	20	20
- y/y change	45%	-14%	-11%	-14%	2%	2%	2%
D&A	4	4	4	4	4	4	4
- y/y change	30%	3%	1%	1%	0%	0%	0%
Capex	-2	-2	-3	-3	-4	-4	-4
- y/y change	10%	10%	10%	10%	51%	0%	0%
Change in working capital	13	0	0	0	0	0	0
FCF	43	26	23	20	20	20	20
DFCF	39	21	17	13	12	11	11
Sum of discounted FCF	113						
Terminal value	360						
Discounted TV	195						
Enterprise value	308						
Net debt (2023)	-68						
Minorities	6						
Equity value - Dec 31 2023	371						
Number of shares (m)	52.1						
12M target price (PLN)	8.5						
Market price (PLN) - 28th of Aug'24	7.3						
Upside/downside	16%						

Source: Pekao Equity Research

Quercus TFI – WACC calculation

	2024e	2025e	2026e	2027e	2027e	2028e	Terminal
Risk free rate	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	4.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
ESG discount/premium	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.3%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	8.7%
Cost of debt	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	7.0%
After tax cost of debt	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	5.7%
Equity weight	100%	100%	100%	100%	100%	100%	100%
WACC	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	8.7%

Source: Pekao Equity Research

Quercus TFI – Sensitivity of DCF model to risk free rate and Beta

PLN unless otherwise stated

		Risk free rate (%)						
		2.6%	3.6%	4.6%	5.6%	6.6%	7.6%	8.6%
Beta	0.7	11.0	10.8	10.6	10.4	10.2	10.0	9.8
	0.8	10.1	10.0	9.8	9.6	9.5	9.3	9.2
	0.9	9.5	9.3	9.1	9.0	8.9	8.7	8.6
	1.0	8.9	8.8	8.6	8.5	8.4	8.3	8.1
	1.1	8.4	8.3	8.2	8.1	8.0	7.8	7.7
	1.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4
	1.3	7.7	7.6	7.5	7.4	7.3	7.2	7.1

Source: Pekao Equity Research

Quercus TFI – Sensitivity of DCF model to risk free rate and risk premium

PLN unless otherwise stated

		Risk free rate (%)						
		2.6%	3.6%	4.6%	5.6%	6.6%	7.6%	8.6%
Risk premium	3%	9.4	9.2	9.1	8.9	8.8	8.7	8.5
	4%	9.2	9.1	8.9	8.8	8.6	8.5	8.4
	5%	9.1	8.9	8.8	8.6	8.5	8.4	8.3
	6%	8.9	8.8	8.6	8.5	8.4	8.3	8.1
	7%	8.7	8.6	8.5	8.4	8.2	8.1	8.0
	8%	8.6	8.5	8.3	8.2	8.1	8.0	7.9
	9%	8.5	8.3	8.2	8.1	8.0	7.9	7.8

Source: Pekao Equity Research

Quercus TFI – Comparative valuation summary

	2024e	2025e
Foreign peers average	13.7	12.4
Quercus P/E	9.9	12.1
premium/discount to average	-27%	-2%
Implied fair value/share (PLN)	10.1	7.5
Weight	50%	50%
Fair value/share (PLN)	8.8	

Source: Pekao Equity Research

Our comparative valuation is based on P/E multiples of foreign peers in years 2024-2025e and implies Quercus TFI's equity value at PLN 7.7/share.

Quercus TFI – Comparative valuation

	Country	MCAP (EURm)	AuM [mln EUR]	P/E		P/BV		ROE		Dividend yield	
				2024	2025	2024	2025	2024	2025	2024	2025
ASHMORE GROUP PLC	GB	1 470	51 246	13.6	16.8	1.4	1.4	10%	9%	10%	10%
HARGREAVES LANSDOWN PLC	GB	6 204	183 212	15.8	16.5	6.6	6.0	42%	35%	4%	4%
JUPITER FUND MANAGEMENT	GB	550	60 216	7.9	9.8	0.5	0.5	8%	6%	6%	5%
MAN GROUP PLC/JERSEY	GB	3 171	151 392	6.2	5.7	1.2	1.2	26%	25%	6%	6%
SCHRODERS PLC	GB	6 601	741 048	11.7	10.4	1.2	1.2	10%	12%	6%	6%
AFFILIATED MANAGERS GROUP	US	4 632	608 008	7.1	6.9	na	na	13%	12%	0%	0%
ALLIANCEBERNSTEIN HOLDING LP	US	3 577	655 459	11.7	10.0	na	na	7%	8%	9%	10%
APOLLO GLOBAL MANAGEMENT INC	US	58 052	588 192	15.0	12.4	4.1	3.0	39%	28%	2%	2%
ARTISAN PARTNERS ASSET MA -A	US	3 034	135 726	12.5	11.6	na	na	na	na	7%	8%
BLACKROCK INC	US	118 566	9 046 452	20.9	18.6	3.3	3.1	15%	16%	2%	2%
BLACKSTONE INC	US	154 530	940 159	29.6	22.8	14.3	13.2	51%	61%	3%	4%
CARLYLE GROUP INC/THE	US	12 886	385 027	10.5	9.3	1.5	1.3	21%	24%	3%	4%
FRANKLIN RESOURCES INC	US	9 547	1 299 111	10.5	9.5	0.5	0.5	5%	6%	5%	5%
KKR & CO INC	US	97 473	499 639	26.2	19.9	4.0	3.2	14%	14%	1%	1%
T ROWE PRICE GROUP INC	US	21 555	1 305 586	11.8	11.9	2.4	2.3	20%	19%	5%	5%
PERPETUAL LTD	AU	1 437	11 300	12.6	11.6	1.0	1.0	9%	10%	6%	7%
AMP LTD	AU	2 017	na	15.4	13.0	0.9	0.9	6%	7%	3%	4%
INSIGNIA FINANCIAL LTD	AU	936	193 904	7.2	6.6	0.7	0.7	10%	11%	8%	3%

Source: Bloomberg, Pekao Equity Research

ESG rating

Our ESG rating is based on assessment of a number of E-S-G related criteria with respectively 30/40/30% weight in total rating. **Our methodology implies final ESG Score for Quercus TFI at 1.19 and ESG Rating “B”.**

Quercus TFI – ESG rating summary

Financials	E	S	G
Score	0.82	1.40	1.29
Sector weight	30%	40%	30%
Final ESG Score	1.19		
ESG Rating	B		

Source: Pekao Equity Research

According to our methodology, rating “B” translates to 7.5% discount for equity risk premium (as % of RFR) in our cost of equity calculation.

Quercus TFI – ESG rating methodology

	score from:	to	Rating	WACC risk premium impact (% of RFR)
ESG Score	1.5	2	A	-15.00%
	1	1.5	B	-7.50%
	0.5	1	C	0%
	0	0.5	D	15.00%

Source: Pekao Equity Research

Financials and earnings estimates

Quercus TFI – Key data, 2021-2027e

PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
EPS adjusted	0.4	0.2	0.6	0.7	0.6	0.5	0.4
Revenue	83.0	93.1	118.5	147.0	146.9	145.4	142.5
Gross Margin %	37%	19%	33%	34%	28%	24%	21%
EBIT	25.6	14.9	24.7	35.9	30.7	27.5	23.7
EBITDA	27.1	19.2	27.8	39.9	34.8	31.6	27.9
Net income	25.1	14.1	31.0	38.4	31.4	27.1	23.0
Net debt	-80.7	-58.2	-68.5	-84.5	-75.5	-69.4	-62.4
BPS	1.5	1.4	1.8	2.1	2.0	2.0	1.9
DPS	0.3	0.4	0.2	0.6	0.7	0.6	0.5
ROE	28%	17%	34%	37%	29%	26%	23%
ROA	18%	8%	17%	19%	15%	13%	11%
Depreciation & Amortization	1.6	4.3	3.1	4.0	4.1	4.2	4.2
FCF	13.6	35.0	-1.4	43.5	26.2	23.4	20.2
CAPEX	0.7	1.5	1.9	2.1	2.3	2.5	2.8

Source: Company, Pekao Equity Research estimates

Quercus TFI – P&L, 2021-2027e

PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
Revenues	83.0	93.1	118.5	147.0	146.9	145.4	142.5
EBIT	25.6	14.9	24.7	35.9	30.7	27.5	23.7
EBITDA	27.1	19.2	27.8	39.9	34.8	31.6	27.9
Net financial income	5.0	2.8	14.6	13.4	10.2	8.0	6.7
Pre-tax profit	30.5	17.7	39.3	49.3	40.8	35.5	30.4
Income tax	-5.4	-3.0	-7.6	-9.3	-7.8	-6.7	-5.8
Net profit	25.1	14.7	31.7	39.9	33.1	28.7	24.6
Net profit for majority shareholders	25.1	14.1	31.0	38.4	31.4	27.1	23.0

Source: Company, Pekao Equity Research estimates

Quercus TFI – Key data, 2021-2027e

PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
AUM (PLNm)	4 438	3 054	4 409	5 945	6 338	6 033	5 748
- y/y change (%)	50%	-31%	44%	35%	7%	-5%	-5%
Average AUM (PLNm)	3 682	3 512	3 551	5 177	6 141	6 185	5 891
- y/y change (%)	48%	-5%	1%	46%	19%	1%	-5%
Net profit margin (%)	30%	15%	26%	26%	21%	19%	16%
Margin on average AUM (%)	1%	0%	1%	1%	1%	0%	0%
Dividend yield (%)	4%	5%	3%	8%	10%	8%	7%
Number of shares (m)	59	56	55	52	52	52	52

Source: Company, Pekao Equity Research estimates

Quercus TFI – Balance sheet, 2021-2027e
PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
Tangible assets	4.7	5.9	6.1	6.1	6.4	6.8	7.5
Financial assets	66.9	72.9	85.0	87.7	90.8	94.4	98.8
Fixed assets	82.0	88.1	100.8	103.5	106.8	111.0	116.0
Receivables	29.7	10.9	33.7	21.2	21.6	22.1	22.5
Cash & equivalents	80.7	58.2	68.5	84.5	75.5	69.4	62.4
Current assets	114.2	69.9	103.7	107.1	98.5	92.9	86.3
Total assets	196.2	158.0	204.5	210.6	205.4	203.8	202.3
Equity for majority shareholders	89.6	81.1	99.4	109.7	104.8	102.1	99.4
Provisions for liabilities	15.1	15.1	22.0	22.4	22.2	22.5	22.8
Leasing	1.3	3.1	3.0	3.0	3.0	3.0	3.0
Long-term liabilities	16.7	18.7	25.2	25.6	25.4	25.7	26.0
Trade liabilities	2.7	3.8	4.1	4.1	4.1	4.1	4.1
Liabilities to customers	68.9	39.8	49.3	44.4	43.9	44.4	45.0
Short-term liabilities	89.9	53.0	74.4	69.8	69.6	70.5	71.4
Equity and liabilities	196.2	158.0	204.5	210.6	205.4	203.8	202.3

Source: Company, Pekao Equity Research estimates
Quercus TFI – Cash flow, 2021-2027e
PLNm unless otherwise stated

	2021	2022	2023	2024e	2025e	2026e	2027e
Net profit	25.1	14.7	31.0	38.4	31.4	27.1	23.0
D&A	1.6	4.3	3.1	4.0	4.1	4.2	4.2
Financial expenses	0.3	0.2	0.2	0.4	0.3	0.1	0.1
Other	-14.2	-20.3	5.7	9.7	0.7	2.2	2.2
Operating cash flow	12.8	-1.1	26.0	52.5	36.6	33.5	29.4
Proceeds from financial assets sales	15.0	7.9	0.0	0.0	0.0	0.0	0.0
Capex	-0.7	-1.5	-1.9	-2.1	-2.3	-2.5	-2.8
Financial assets spending	35.1	-3.0	0.8	-4.4	-5.0	-5.6	-6.3
Investing cash flow	49.4	3.4	-1.1	-6.5	-7.3	-8.1	-9.1
Shares issue	22.5	0.0	0.0	0.0	0.0	0.0	0.0
Dividend/buy-back	-17.9	-22.3	-12.7	-29.7	-37.9	-31.4	-27.3
Other	-0.8	-2.5	-1.9	-0.4	-0.3	-0.1	-0.1
Financial cash flow	3.8	-24.9	-14.5	-30.0	-38.3	-31.5	-27.4
Cash at the beginning of period	14.8	80.7	58.2	68.5	84.5	75.5	69.4
Cash at the end of period	80.7	58.2	68.5	84.5	75.5	69.4	62.4

Source: Company, Pekao Equity Research estimates

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Analyst	Position	Financial instrument	Number of instruments	Exposure (long/short)	Average transactions price	Transactions dates
Michał Fldelus	Expert, Analyst	Quercus TFI	n.a.	n.a.	n.a.	n.a.

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METHODS USED TO FORMULATE OUR RECOMMENDATIONS:

Our company valuations are based on two valuation methods selected from among the following: discount model, multiples-based model or asset-based valuation method.

Discount models are characterized by simultaneous and comprehensive consideration of key determinants of intrinsic value, e.g. operating cash flow, capex, cost of capital (WACC). They are theoretically appealing and provide a direct computation of intrinsic value. However, discount model valuations are highly sensitive to changes in assumptions, particularly the risk free rate and terminal growth rate. Moreover, projections cannot be stated with certainty; unforeseen future events can cause income or earnings projections to be invalid.

Multiples-based models are based on the analysis of the valuation multipliers of a given company in relation to other similar companies in the industry. Among strengths of multiplier models we can highlight their simplicity, as they are easy to compute as well as to understand. Moreover, only the key statistics for investors are chosen for valuation. On the other hand, multiples are based on historic data or near-term forecasts. Valuations based on multiples will therefore fail to capture differences in projected performance over the longer term. Finally, it may be problematic to select a suitable peer group.

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.

The investment ratings generally relate to a 12-month horizon. They are, however, also subject to market conditions and can only represent a snapshot. The ratings may in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward. In the tables and charts throughout this report, we designate the years with an "E" to denote that the figures presented are forecasts and estimates.

Definition of ratings used in our publications:

We currently use a three-tier recommendation system for the stocks in our formal coverage: Buy, Hold, or Sell (see definitions below):

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

A **Hold** is applied when the expected total return over the next twelve months is within the range of 0% to 15%.

A **Sell** is applied when the stock's expected total return over the next twelve months is negative.

We employ three further categorizations for stocks in our coverage:

Restricted: A rating and/or financial forecasts and/or target price is not disclosed owing to compliance or other regulatory considerations such as blackout period or conflict of interest.

Coverage in transition: Due to changes in the research team, the disclosure of a stock's rating and/or target price and/or financial information are temporarily suspended. The stock remains in the research universe and disclosures of relevant information will be resumed in due course.

Under review: A rating and/or financial forecasts and/or target price is at the moment under revision of an analyst and the previous rating and/or financial forecasts and/or target price should not be relied on.

Not rated: We do not issue company-specific recommendations and we do not plan to issue them in the foreseeable future.

EXPLANATION OF THE PROFESSIONAL TERMINOLOGY USED IN THE REPORT:

P/E – „Price/Earnings” is the ratio of the financial instrument price to the net financial result for the issuer of the financial instrument.

P/B – „Price/Book Value” is the ratio of the price of the financial instrument to the issuer's equity capital.

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.

EBIT – „Earnings Before Interest and Taxes”.

EBITDA - „Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization”.

EV/EBITDA – “Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization” is the company's market capitalization (price x number of shares) increased by the value of net financial debt and the value of minority shareholders divided by the operating result increased by the value of the company's asset depreciation.

AGM – Annual General Meeting