Quercus TFI

(Buy, TP PLN 8.6)

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3Q24 net profit in line with our estimates. PLN 16m provision for success fee.

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Quercus TFI released 3Q24 figures with the following highlights:

- **3Q24 net profit** of Quercus TFI came in at PLN 7.9m (71% y/y, -16% q/q) and was in line with our estimates (PLN 7.8m). Slightly better than expected revenues (+4% vs. our estimates due to better management fee) and higher net financial income were offset by higher costs (+9% vs. our estimates). Both other operating costs and net financial income were inflated by Capitea related bookings, but net impact was not very material (PLN 0.5m).
- Total **revenues** in 3Q24 amounted to PLN 34.5m (37% y/y, -6% q/q) and were 4% above our expectations. Management fee (incl. reported success fee) increased 48% y/y (-6% q/q) and revenues from purchase/redemption orders went up 22% y/y (-3% q/q). Share of low margin debt funds in total AUM came in at 52% on average (vs. 53% in 2Q24 and 46% in 3Q23).
- In 3Q24 **provision for success fee** increased to PLN 16.3m (from PLN 11.8m after 1H24, vs. PLN 23.8m success fee booked in FY2023 and vs. PLN 17.1m of provision in 9M23). Reported success fee in 3Q24 came in at PLN 1.4m (incl. in management fee) vs. PLN 6.5m in 1H24.
- **Total costs** in 3Q24 came in at PLN 28.6m (33% y/y, 3% q/q) and were 9% above our estimates. Distribution costs went up 44% y/y, staff costs increased 17% y/y, external services costs dropped -5% y/y and other costs increased 56% y/y.
- At the end of 3Q24 **AUM** of Quercus TFI came in at PLN 6,002 (57% y/y, 8% q/q). Y/y growth was driven by rising assets of QRS Ochrony Kapitału (105% y/y), QRS Dłużny Krótkoterminowy (145% y/y) and QRS Agresywny (32% y/y). Q/q growth of total assets was driven by rising AUM of QRS Ochrony Kapitału (20% q/q), QRS Dłużny Krótkoterminowy (16% q/q) and QRS Obligacji Skarbowych (36% q/q), while AUM of QRS Agresywny declined -23% q/q.
- In 3Q24 **net flows** to Quercus TFI amounted to PLN +419m (vs. PLN 375m in 2Q24 and vs. PLN +331m in 3Q23) and vs. FY2023 net flows at PLN 693m.

Our view: NEUTRAL

After exceptionally strong 2Q24 inflated by success fee, 3Q24 comes as another very solid – although weaker q/q – quarter. 3Q24 net profit came in at PLN 7.9m and was in line with our estimates. Better revenues and higher net financial income were offset by higher costs. Management fee went up 48% supported by growing AUM (57% y/y, 8% q/q) and solid rates of return of managed funds, but also by reported PLN 1.4m success fee (vs. PLN 6.5m in 1H24). Revenues from purchase/redemption orders in 3Q24 went up 22% y/y (-3% q/q). Provision for success fee increased to PLN 16m from PLN 11.8m after 1H24. Costs came slightly higher than expected (adjusted by Capitea bookings). In 9M24 net profit of Quercus TFI came in at PLN 23.8m (99% y/y). Given very solid 3Q24 numbers coupled with high provision for success fee, we seen no major risk to our FY 2024 estimates (net profit at PLN 40m).

Quercus TFI – P&L, PLN mn

	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q	Pekao	vs. Pekao
Revenues	25.2	48.6	29.7	36.7	34.5	37%	-6%	33.2	4%
- incl. management fee	*13.9*	*14.8*	*0.0*	*21.8*	*20.5*	48%	-6%	*19.6*	5%
Total costs	-21.5	-19.8	0.0	-27.9	-28.6	33%	3%	-26.3	9%
EBIT	3.7	17.4	4.9	8.8	5.8	60%	-33%	6.9	-15%
EBITDA	4.6	17.8	6.0	9.4	6.7	45%	-29%	7.7	-13%
Net financial income	2.5	6.4	3.2	3.5	4.5	82%	26%	3.4	31%
Pre-tax profit	6.1	23.8	8.1	12.3	10.3	69%	-16%	10.3	0%
Net profit	**4.7**	**19.0**	**6.5**	**9.4**	**7.9**	71%	-16%	**7.8**	1%
AUM eop	3 821	4 409	5 062	5 570	6 002	57%	8%		
AUM average	3 653	4 073	4 741	5 308	5 813	59%	10%		

Source: Company, Pekao Equity Research

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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.

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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”.
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AGM – Annual General Meeting