Quercus TFI

(Buy, TP PLN 11.3)

As of April 10th, 2025

1Q25 net profit 10% above our estimates. PLN 2m provision for success fee.

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Quercus TFI released 1Q25 figures with the following highlights:

- **1Q25 net profit** of Quercus TFI came in at PLN 9.1m (41% y/y, -53% q/q) and was 10% above our estimates (PLN 8.3m). It looks like – in contrast to previous quarters – 1Q25 was not marked by Capitea related bookings in any material way (usually inflating other operating costs and net financial income). Earnings beat was driven by lower costs, while net financial income was weaker than we had assumed and total revenues came broadly in line with our assumptions.
- Total **revenues** in 1Q25 amounted to PLN 36m (21% y/y, -53% q/q) and were in line with expectations (1% below). Management fee (incl. success fee) increased 24% y/y and revenues from purchase/redemption orders went up 13% y/y (0% q/q). Share of low margin debt funds in total AUM increased to 55% on average (vs. 54% in 4Q24 and 53% in 1Q24).
- In 1Q25 **provision for success fee** came in at PLN 2.0m vs. PLN 11.4m at the end of 1Q24 and vs. FY 2024 reported **success fee** at PLN 31m.
- **Total costs** in 1Q25 came in at PLN 26m (5% y/y, 0% q/q) and were 12% below our estimates. Distribution costs went up 30% y/y, staff costs increased 9% y/y and external services costs grew 1% y/y.
- At the end of 1Q25 **AUM** of Quercus TFI came in at PLN 7,085m (40% y/y, 12% q/q). Y/y growth was largely driven by rising assets of QRS Ochrony Kapitału (76% y/y) and QRS Dłużny Krótkoterminowy (92% y/y), while Agresywny and Absolutny saw more material outflows (-15% y/y and -65% y/y, respectively). Quarterly growth of total assets was driven by rising AUM of QRS Ochrony Kapitału (16% q/q) and QRS Dłużny Krótkoterminowy (25% q/q) while AUM of Absolutny dropped -31% q/q.
- In 1Q25 **net flows** to Quercus TFI amounted to PLN +453m (vs. PLN 225m in 4Q24). FY 2024 net flows reached PLN 1,504m vs. PLN 693m in FY 2023 (and PLN -1,167m in 2022).

Our view: POSITIVE

1Q25 in Quercus comes as a solid beginning of the year. Net profit came in at PLN 9.1m (41% y/y) and was 10% above our expectations. Earnings beat was driven by lower than expected total costs. It looks like – in contrast to previous quarters – 1Q25 was not marked by Capitea related bookings in any material way. Management fee went up 24% y/y and revenues from purchase/redemption orders increased 13% y/y. 1Q25 saw further growth of AUM (40% y/y, 12% q/q) driven by solid rates of return of QRS's funds and positive flows. Provision for success fee came in at PLN 2m and was better than we had assumed. In 1Q25 we point also at increased distribution costs, but also at slightly better other revenues. We expect Quercus TFI to report net profit of PLN 38.3m (-11% y/y) in 2025e and PLN 37.2m (-3% y/y) in 2026e. We point though that 1Q25 numbers – if annualized – would imply FY net profit at PLN 36m, what already may bring some upside to our FY 2025 earnings estimates.

Quercus TFI – P&L, PLN mn

	1Q24	2Q24	3Q24	4Q24	1Q25	y/y	q/q	Pekao	vs. Pekao
Revenues	29.7	36.7	34.5	76.1	36.0	21%	-53%	36.3	-1%
- incl. management fee	*17.3*	*0.0*	*0.0*	*39.9*	*21.4*	24%	-46%	*22.3*	-4%
Total costs	-24.7	-27.9	-28.6	-26.0	-26.0	5%	0%	-29.4	-12%
EBIT	4.9	8.8	5.8	50.1	10.0	103%	-80%	6.9	46%
EBITDA	6.0	9.4	6.7	51.2	11.0	83%	-79%	7.8	41%
Net financial income	3.2	3.5	4.5	-25.4	1.8	-43%	-107%	4.0	-54%
Pre-tax profit	8.1	12.3	10.3	24.7	11.8	46%	-52%	10.9	9%
Net profit	**6.5**	**9.4**	**7.9**	**19.4**	**9.1**	41%	-53%	**8.3**	10%
AUM eop	5 062	5 570	6 002	6 343	7 085	40%	12%		
AUM average	4 741	5 308	5 813	6 202	6 764	43%	9%		

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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