

*The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme*

## Quercus TFI

**(Buy, TP 6,0 per share)**

August 30, 2021

### 3Q21 net profit better than expected. Strong success fee (PLN 19m).

**BDM comment:** 3Q21 reported net profit of Quercus TFI came in at PLN 4,1m (45% r/r, 17% kw/kw) and was 8% above our estimates (PLN 3,8m). Adjusted net profit came in at PLN 4,3m and was 28% better than our forecasts. The earnings beat was driven by better than expected revenues (4% above), while costs were in line with our expectations. Success fee increased to PLN 19m and was in line with our estimates (PLN 19-20m). We see the company's 3Q21 numbers as slightly positive, mainly due to strong revenues. Fixed fee has been gradually improving and success fee – although in line with estimates - after 9 months of 2021 is almost 50% higher than in 2020. In our view Quercus TFI's results over the next quarters will be determined mainly by rates of returns of managed funds that will imply the level of flows, AUM and success fee. In medium term AUM should be supported by low interest rates environment. We maintain our positive view on Quercus TFI. In 1-3Q21 inflows came in at PLN 942m and AUM increased by 38%. Rates of return remain solid. According to our recent report (from August 30), in 2021/22 we expect adjusted net profit of Quercus TFI at PLN 21,5/20,9m, respectively. However, given strong 3Q21 success fee in 9M21, we see our current forecasts of this line (PLN 15m) as conservative. A key risk for the company is market risk, in our view.

#### Quercus TFI – P&L and selected data, 3Q20-3Q21

PLNm

	3Q20	4Q20	1Q21	2Q21	3Q21	Yoy	Qoq	3Q21E	vs. BDM
Total revenues	13,2	25,3	13,7	16,0	18,4	39%	14%	17,6	4%
- fixed fee	12,8	12,9	13,7	16,0	18,4	44%	14%	17,6	4%
Gross profit from sales	10,4	19,4	11,0	13,2	15,6	50%	18%	14,8	6%
Total costs	-7,5	-8,4	-8,6	-9,6	-10,4	38%	8%	-10,4	0%
EBIT	2,0	11,1	1,6	2,8	5,3	166%	91%	4,4	20%
<b>Net profit</b>	<b>2,8</b>	<b>9,6</b>	<b>3,1</b>	<b>3,5</b>	<b>4,1</b>	<b>45%</b>	<b>17%</b>	<b>3,8</b>	<b>8%</b>
AUM (eop)	2 604	2 949	3 448	3 806	3 943	51%	4%		
AUM (average)	2 490	2 708	3 207	3 561	3 888	56%	9%		

Source: Company's data, BDM S.A.

- **Telco with CEO** will take place today, October 19, at 3:00 PM through MS Teams or by phone (listening mode only) +48 22 1673663, Id 671930880#
- **3Q21 net profit of Quercus TFI** came in at PLN 4,1m (45% r/r, 17% kw/kw) and was 8% above our estimates (PLN 3,8m). Adjusted net profit (excluding GetBack related provisions) came in at PLN 4,3m and was 28% better than our forecasts. The earnings beat was driven by better than expected revenues (4% above), while costs were in line with our expectations.
- **Fixed fee** in 3Q21 (pro-forma) amounted to PLN 18,4m (39% Yoy, 14% Qoq) and was 4% above our expectations. Average margin on AUM (pro-forma) improved to 1,73% from 1,63% in 2Q21 (and vs. 1,80% in 3Q20). Margin growth was driven by declining share of *Ochrony Kapitału* fund's assets in total AUM (30,5% on average in 3Q21 vs. 31,6% in 2Q21) and rising share of higher-margin funds incl. *Quercus Agresywny* (13% in 3Q21 vs. 12% in 2Q21) or *Quercus Global Balanced* (8% vs. 6%, respectively).
- **Success fee** after 9 months of 2021 increased to PLN 18,6m from PLN 14,8m after 6 months (and vs. PLN 12,8m in 2020). The fee was earned mainly by *Quercus Agresywny* (PLN 2,6m), *Quercus Global Balanced* (PLN 2,4m), *Quercus Stabilny* (PLN 2,0m) and *Quercus Multistrategy FIZ* (PLN 1,8m).
- **Distribution costs** came in at PLN 9,1m (48% Yoy, 13% Qoq) and stood for 54% of pro-forma fixed fee (vs. 53% in 2Q21 and 51% in 3Q20).



- At the end of 3Q21 **assets under management** of Quercus TFI amounted to PLN 3.943m (51% Yoy, 4% Qoq). The YoY growth was driven by rising AUM of *Quercus Ochrony Kapitału* (30% Yoy to PLN 1.184m), *Quercus Dłużny Krótkoterminowy* (151% Yoy to PLN 552m), *Quercus Agresywny* (178% Yoy to PLN 528m) and *Quercus Global Balanced* (198% Yoy to PLN 244m). On a quarterly basis declining assets of *Quercus Obligacji Skarbowych* (-26% Qoq) were more than offset by rising AUM of *Quercus Global Balanced* (45% Qoq) and *Quercus Stabilny* (52% Qoq).

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e-mail: [piotr.komorowski@bdm.pl](mailto:piotr.komorowski@bdm.pl)**Explanations of terminology:**

EBIT - earnings before interest and tax

EBITDA - earnings before interest, taxes, depreciation, and amortization

Net debt - interest bearing debt minus cash and equivalents

WACC - weighted average cost of capital

CAGR - cumulative average annual growth

EPS - earnings per share

DPS - dividend per share

CEPS - net profit plus depreciation per share

EV - market capitalization plus interest bearing debt minus cash and equivalents

EV/S - market capitalization / sales

EV/EBITDA - EV / sales

P/EBIT - market capitalization / EBIT

MC/S - market capitalization / sales

P/E - market capitalization / net profit

P/BV - market capitalization / book value

P/CE - market capitalization / net profit plus depreciation

ROE - net profit / equity

ROA - net income / assets

Gross margin - gross profit on sales / sales

EBITDA margin - EBITDA / sales

EBIT margin - EBIT / sales

Net margin - net profit / sales

**Explanation of ratings:**

Buy - we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);

Accumulate - we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);

Hold - we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);

Reduce - we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);

Sell - we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).

Target price - the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.

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**Ratings and price targets history:**

Rating	Target price	Previous rating	Previous target price	Date	Market price	WIG
Kupuj	6,0	Kupuj	6,2	30.08.2021*	4,63	69 775
Kupuj	6,2	---	---	24.03.2021	4,97	57 695

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, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	1	100%	3	100%
Accumulate	0	0%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

\* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at [www.bdm.pl](http://www.bdm.pl)

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