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Benelux MornING Notes

25 January 2013

COMPANY COMMENTS

Econocom: disclosed an impressive REBIT beat in the FY12 trading update
KBC: LTRO repayment and reference loans refinanced elsewhere?
Quest for Growth: confirmation of strong FY12 performance

MACRO NEWS

Eurozone: LTRO payback focus
UK: and down again
France: unemployment, the ticking bomb of François Hollande

THIS MORNING'S RESEARCH (CLICK ON LINK FOR FULL REPORT)

ING Week Ahead/Week 5: 28 January-1 February 2013

The ING Week Ahead contains: Results due out next week

Quest for Growth: confirmation of strong FY12 performance

Quest for Growth released FY12 results that contained no surprises, given the publication of the FY12 NAV/share and consequent portfolio overview on the 4th of January 2013. Hence, we do not expect a major share price movement today.

As disclosed on the 4th of January, NAV came in at €9.26 per share (€106.8m), implying profit for the year of €15.7m (INGF: €15.6m, FY11: -€13.3m), and thereby reducing retained losses from €19.3m to €3.6m (INGF: €3.7m). ROE amounted to 17.1%, in line with the STOXX 600 Europe index and the German TECDAX index. Share price performance for FY12 amounted to 20%, as the discount narrowed from 40% at FY11 to 38.4% at FY12.

FY12 performance was mainly driven by the quoted portfolio, which posted a FY12 return of 30%, an impressive outperformance of 12% versus the STOXX 600 Europe index and 9% versus the TECDAX index. The unquoted part of the portfolio posted a limited contribution on the back of clogged exit markets. The revaluation of the stake in MAPPER Lithography, following a follow-up financing round, can be marked as the main value creative event in the unquoted portfolio.

FY12 unquoted investment activity consisted of €3m of follow-up investments in existing holdings and an initial investment in Mainstay Medical (through the Capricorn Health-tech Fund). Furthermore, Quest committed €7.5m to the newly created Capricorn ICT Arkiv NV fund. FY12 net cash stood at €1.7m, 1.7% of NAV. Total commitments to third party funds amounted to €22m, with the lion's share of the commitments dedicated to Capricorn Venture Partners funds.

FY12 costs amounted to €1.98m, 1.9% of FY12 NAV, in line with FY11. As noted in our recent report, Quest's cost structure will gradually shrink with the implementation of the new asset management agreement with Capricorn Venture partners.

Quest stroke a cautiously optimistic tone in terms of future return prospects, pointing on the one hand towards the significant re-rated multiples on European equity markets and on the other hand, to the improved financial market sentiment. In Quest's view, the re-rating could, if sustained, kick-start clogged exit markets. This is a view we feel comfortable agreeing with. More supportive exit-markets would turn us upbeat on the sector as a whole.

Our updated NAV stands at €9.36 per share, implying a 35% share price discount to NAV.

Price: €6.12. Last published: target price: €6.5; recommendation: HOLD

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