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Benelux Morning Notes

26 July 2013

COMPANY COMMENTS

Bekaert: beat on 1H13 REBIT, guidance cautious

Belgacom: EBITDA beat by 2%; Underlying EBITDA still down 9%

DSM: cautious ahead of 2Q13 results

GBL: fairly valued, no surprises expected from 1H13

Quest For Growth: NAV up 5.3%, profit carried forward up to €2m

SES: underlying earnings growth accelerating, guidance downgrade already in price

USG People: adjusted 2Q13 results in line on weak sales, cost savings target raised

MACRO NEWS

UK: Maintaining momentum

Belgium: Out of recession, not out of weakness

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

ING Week Ahead/Week 31: 29 July-2 August 2013

The ING Week Ahead contains: Results due out next week

Maintained
Hold

Price (25/07/13) €6.47

Maintained

Target price (12m) €6.70

Forecast total return 3.6%

Market cap €74.6m

Bloomberg QFG BB

Quest For Growth: NAV up 5.3%, profit carried forward up to €2m

As pre-disclosed by Quest, 1H13 NAV came in at €9.75 per share, implying ROE of 5.3% and net profit of €5.6m for 1H13. Following the €5.6m (1Q13: €4.9m) net profit, Quest's FY12 carried forward loss of €3.6m is further reversed to a carried forward gain of €2m (1Q13: €1.3m), and hence a FY13 dividend payment seems increasingly likely. Quest outperformed the STOXX600 (+2% in 1H12), but underperformed the SX8P (1H13: 7.8%) and the NASDAQ (1H13: 13.7%). Share price performance for 1H13 was 7.2%, as the discount to NAV narrowed from 38.4% at the year-end to 37% at 1H13.

The quoted portfolio continued to perform well with average returns well above 5%. Leaders of the portfolio were Nemetscheck (+53%), LPKF (+55%), EVS (+23%), Melexis (+25%) en Kendrion (+29%). Laggards were, besides Imtech, Umicore (-22%), Andrits (-17%), and Econocom (-7%). In terms of rotation, 2Q13 saw the entrance of 4 new stocks Sartorius (medical equipment), Galenica (pharma), Bertrandt (car design) en U-Blox (GPS systems).

The unquoted portfolio had a good performance during the quarter. Main value creating events during the half year were (1) the sale of Waze to Google, lifting Quest's participation in Vertex III by c.€1m and (2) the sale of Akairos to GSK, in which Quest participated through the Life Science Partners III fund. Quest's commitments to investment funds fell from €20.3m at YE '12 to €18.2m at the end of June. The main contribution during the half year was at the Capricorn Health-Tech fund, ie €1.5m, lifting Quest's investment to €4m. Net cash at the end of June stood at €3.4m.

The cost structure evolved favourably, on the back of the NAV accretion, and came in at 1.76% (annualized) versus 2.0% for 1H12 and 2.1% for FY11. In nominal terms costs remained flat at 996K.

In terms of market outlook Quest refers to the mixed view provided by different economic indicators. It also sees a positive evolution in the cautious revival of primary activity on European stock markets.

Our updated NAV stands at €9.87 per share, implying a 34.4% discount for the current share price. We rate Quest a HOLD, as we believe it is fairly valued, trading at a 34% discount to NAV.

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