

7 March 2011

QUEST FOR GROWTH

February NAV climbs to € 9.01 ps. Rating cut to Acc.

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 5.96
TARGET PRICE € 6.30

ACCUMULATE
RATING DOWNGRADED



— Price — Rel. to index (RHS)

Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 70.3m
Shares outst.	11.8m
Volume (daily)	€ 74,326
Free float	90.6%

Next corporate event

General Assembly 10: 17 March 2011

(€ m)	2008	2009	2010
Net result	-48.4	18.1	20.6
Adj. net result	-48.4	18.1	20.6
Basic EPS (€)	-4.11	1.53	1.74
ROE	-41.8%	26.8%	24.1%
Adj. eq. value	9.87	7.25	8.99
Premium/disc.	14.9%	35.9%	42.9%
DPS (€)	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%

Tom Simonts

+32 2 429 37 22

tom.simonts@kbcsecurities.be

Summary:

Quest's end-of-February NAV climbed a tad to € 9.01, while the stock rose to € 5.90 (33.9% discount). We reduce our rating to Accumulate.

News:

NAV at end-February moved up slightly to € 9.01 p.s., versus € 8.95 at end-January (0.7% m/m, 0.2% YTD). The stock increased to € 5.90 (8.5% m/m, 11.1% YTD), due to which the discount decreased to 33.9% (end-December: 40.93%).

Quest's activity in January centred on adjusting several existing stakes in its listed portfolio. The company upped stakes in Nemetschek, Pharmagest Interactive, Andritz, Imtech and Phoenix Solar, while stakes in Unit 4 Agresso, HP, LEM Holding, Roche Holdings, Pfeiffer Vacuum Technology and Accell Group were lowered. Combined, the listed portfolio at current prices totals € 64.6m and accounts for 62.1% of NAV. Listed assets break down in Software & Services (17.2%), Technology & Hardware (7.4%), Pharma & Biotech (5.2%), Healthcare Equipment (4.7%), Electrical & Engineering (17.8%) and Materials & Others (8.9%).

The aggregated value of the direct Private Equity stakes remained unaltered vis-à-vis the end-of-January NAV update, save that the value of Capricorn Cleantech Co-investment Fund now amounts to € 1.05m, marking the first capital call. The direct and indirect PE portfolios are currently valued at a respective € 14.3m and € 15.9m. Combined, PE stakes account for € 30.2m, or 29.1% of adjusted equity value.

We estimate net cash at € 2.5m (2.4% of NAV), which includes the valuation of options and other items on the balance sheet. We remind that we no longer attach a valuation to the 2.2% treasury shares that Quest holds, as an upcoming EGM will decide (and approve) of their proposed cancellation.

Conclusion:

Quest's stock price soared 35.8% since we issued a Buy rating on 6 May 2010 at a level of € 4.39 p.s., of which 11.1% has been realised on a year-to-date basis. Based on Friday's close, we estimate adjusted equity value p.s. at € 9.02 and note that the discount has been reduced to 33.9% as a result of this strong performance. Since our current TP implies a 30% discount to NAV, the upside potential from current levels is now limited to 5.7%. We therefore decided to lower our rating from Buy to Accumulate.