

28 October 2011

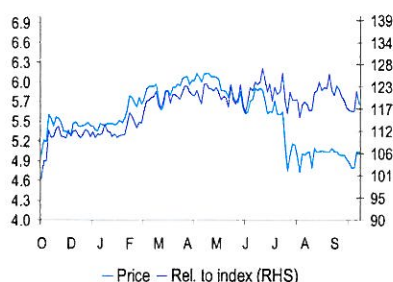
## QUEST FOR GROWTH

### € 14.2m 3Q11 loss obliterates FY11 DPS hopes

EQUITY INVESTMENT INSTRUMENTS  
BELGIUM

CURRENT PRICE € 5.00  
TARGET PRICE € 6.00

**ACCUMULATE**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg QFG.BB  
Reuters QUFG.BR  
www.questforgrowth.com

Market Cap € 58.9m  
Shares outst. 11.8m  
Volume (daily) € 48,906  
Free float 90.6%

Next corporate event

Analyst Meeting 11: 28 October 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%

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#### Summary:

3Q11 loss amounted to € 14.2m, switching a 1H11 positive result for a 9M11 loss of € 12.3m. Since carried-over losses now amount to € 18.3m, investors should not bank on a dividend payment before 2013. TP and rating maintained.

#### News:

The 3Q11 loss of € 14.24m (€ 1.23 p.s.) compares with a 3Q10 profit of € 11.75m (€ 1.00 p.s.) and a 1H11 profit of € 1.90m (€ 0.16 p.s.). The 9M11 loss now amounts to € 12.3m, equalling negative ROE of 11.6% (vs. 24.1% in FY10 and 26.8% in FY09). Quest's monthly NAV updates had already unveiled that equity p.s. at end-3Q11 (30 September) dropped to € 7.99 p.s. from € 8.99 at YE10 (-11.1% YTD), while the stock declined to € 5.00 (-5.8% YTD). The discount coincidentally declined to 37.4% (versus 40.9% at YE10). The 11.1% YTD rise of NAV compares with a 9.9% drop of the benchmark Nasdaq index and a 10.99% decrease of the New Market 50 index.

Flanking very weak European equity markets – notably in the small-cap segment - as the loss' main culprit, Quest also depreciated € 1.4m in the unquoted portfolio. Quest by doing so anticipates on lower valuations for certain portfolio companies that are almost in need of refinancing, an effort that is likely hampered by a difficult funding climate. As to new investments, Quest funnelled € 1.25m into Cartagena, a spin-off from the Leuven University. In all, the quoted part of Quest's portfolio suffered the bulk of the 3Q11 loss, while exits in the unquoted segment are unlikely to materialise.

The 3Q11 loss boosted carried-over losses on the balance sheet to € 18.3m (vs. € 4.9m on 1H11). As long these losses are on the balance sheet, Quest can't pay out dividends (which are free of withholding tax). Hence, we don't expect dividend payments anytime before May 2013 (over FY12 earnings).

#### Our View:

The quarterly result is never a surprise: Quest's communicates its NAV updates on a monthly basis, hence disclosing indirectly its underlying result. The potential for Quest to pay out a (tax-free) dividend is a main stock price driver, but last quarter's loss means that investors should not expect payouts anytime before 2013 (over FY12 results). On top of that, the difficult funding climate for Quest relatively early-stage PE portfolio threatens to shave off a part of NAV, while it certainly doesn't help in producing exits anytime soon.

#### Conclusion:

Despite our current NAV estimate (€ 8.12 per share) still hovers substantially above current trading levels (€ 4.90, 39.7% discount), we see few to no triggers that could substantially reduce the discount and lift the stock. Hence, notwithstanding our € 6 TP (which implies a 26% discount to NAV) leaves upside potential of 22.5%, we stick to our Accumulate rating.