

4 October 2012

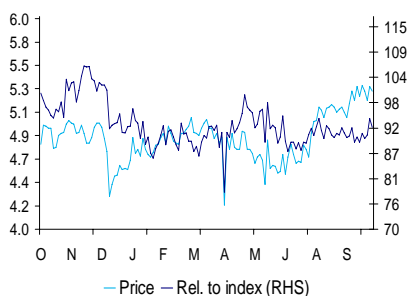
Quest for Growth

NAV edged up slightly end of September

Equity Investment Instruments
Belgium

Current price €5.34
Target price €6.00

Buy
Rating Unchanged



Source: Thomson Financial Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€63.0m
Shares outst.	11.8m
Volume (daily)	€38,514
Free float	90.6%

Next corporate event

NAV update 12: 5 October 2012

(€m)	2009	2010	2011
Net result	18.1	20.6	-13.3
Adj. net result	18.1	20.6	-13.3
Basic EPS (€)	1.53	1.74	-1.15
ROE	26.8%	24.1%	-12.6%
Adj. eq. value	7.25	8.99	7.88
Premium/disc.	35.9%	42.9%	39.7%
DPS (€)	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%

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Summary:

Quest's end-of-September NAV increased a tad to €8.93 p.s., while its stock inched up a notch to €5.34 (40.2% discount). The main takeaways are new investments in Tomra Systems and Fresenius, but apart from that the update confirms our SOTP model. We reiterate our Buy rating and €6.0 TP.

News:

NAV at end-August moved up to €8.93 p.s., versus €8.66 at end-August (+3.2% m/m, +13.0% YTD). The stock followed suit and ended the month at €5.34 (+4.7% m/m, +12.4% YTD), due to which the discount declined slightly to 40.2% (end-August 2012: 41.11%).

- Quest's activity in the listed portfolio segment in September centred on the Medical Equipment & Technology Hardware segments. The group made new investments in Tomra Systems and Fresenius. The company also upped stakes in LPKF Laser & Electronics, Gerresheimer, Arcadis, Imtech and Melexis, while stakes in Init Innovation, Sphere Medical, United Drug and Andritz were lowered. Combined, the listed portfolio at current prices totals €61.3m and accounts for 59.6% of NAV. Listed assets break down in Software & Services (14.2%), Technology & Hardware (8.8%), Pharma & Biotech (1.1%), Healthcare Equipment (11.6%), Semiconductors (2.0%), Electrical & Engineering (17.6%) and Materials & Others (3.4%). Quoted/unquoted (Sphere Medical) weighs 0.7%.
- The aggregated value of the direct Private Equity investments (€19.2m, excl. provisions) rose a tad compared to end-of-August. The total amount of provisions remained level at €3.69m (3.6% of NAV). Capital invested into various 3rd party investment funds (€11.5m) remained level. Capricorn Health-tech fund made its fourth investment in Mainstay Medical Ltd. Capital was called so that the value of the fund and investments related to Capricorn increased marginally to €5.7m. All PE assets are carried at €36.4m (36% of NAV).
- We estimate net cash at €5.5m (5% of NAV), which includes the valuation of options and other items as well as €3.69m of the said provisions. Commitments total €16.6m (46% of all PE investments).

Conclusion:

Both Quest's stock (+12.4%) and NAV (+13.0%) outperformed European equity markets (DJ EuroStoxx50: +5.2%) on a YTD-basis, but the stock's valuation remains very undemanding nevertheless; the current 40.2% discount (based on NAV p.s. of €8.93) remains substantial when compared to its historical average (9-year avg: 29.9%). After implying a 30% discount, the stock has 12.4% upside potential (vs €6.0 TP). Items that hold back the stock are the lack of dividend visibility and few triggers to unlock value (such as an IPO or trade sales). We stick to our €6 TP and reiterate our Buy rating.

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SOTP MODEL – BASED ON CLOSING PRICES OF OCTOBER 3, 2012

Description	Sector/market	BB	Shares held	Recent change	Last price	Cmncy	% of NAV	Valuation (€m)
Quoted companies							14.19%	14.49
Software & Services								
ECONOCOM	Euronext Brussels	ECONB BB	787,052	0	5.0	€	3.82%	3.90
INIT	Deutsche Börse	IXX GY	95,000	-5,000	24.5	€	2.28%	2.33
NEMETSCHKE	Deutsche Börse	NEM GR	113,000	0	33.6	€	3.71%	3.79
SAP	Deutsche Börse	SAP GR	47,500	0	55.0	€	2.56%	2.61
TRANSICS	Euronext Brussels	TRAN BB	250,000	0	7.4	€	1.82%	1.86
Technology Hardware								
EVS BROADCAST	Euronext Brussels	EVS BB	100,000	0	42.4	€	4.15%	4.24
LEM HOLDING	Zwitsersland	LEHN SW	4,869	0	475.0	CHF	1.87%	1.91
LPKF LASER & ELECTRONICS	Deutsche Börse	LPK GR	95,000	25,000	16.5	€	1.54%	1.57
TOMRA SYSTEMS	Oslo Stock Exchange	TOM NO	175,000	175,000	51.8	NOK	1.19%	1.22
Pharma & Biotech								
TEVA PHARMACEUTICAL	Nasdaq	TEVA US	60,000	0	40.8	USD	1.85%	1.89
Health Care Equipmen								
FRESENIUS	Deutsche Börse		10,000	10,000	92.8	€	0.91%	0.93
GERRESHEIMER	Deutsche Börse		60,000	5,000	39.3	€	2.31%	2.36
NEXUS	Deutsche Börse		225,000	0	9.0	€	1.98%	2.03
PHARMAGEST INTERACTIVE	Euronext Paris		40,000	0	52.6	€	2.06%	2.11
SPHERE MEDICAL HOLDING	AIM		810,031	-5,000	0.7	£	0.73%	0.74
UNITED DRUG	Dublin		1,250,786	-141,000	2.9	€	3.57%	3.64
Electrical & Engineering								
ANDRITZ	Vienna		100,000	-2,500	44.8	€	4.39%	4.48
ARCADIS	Euronext Amsterdam	ARCAD NA	240,000	20,000	16.3	€	3.82%	3.90
FAIVELEY	Euronext Paris	LEY FP	27,500	0	47.5	€	1.28%	1.31
IMTECH	Euronext Amsterdam	IM NA	195,000	5,334	21.1	€	4.03%	4.11
KENDRION	Euronext Amsterdam		107,128	-5,000	16.0	€	1.68%	1.72
SAFT GROUPE	Euronext Paris	SAFT FP	60,000	0	18.0	€	1.06%	1.08
SCHALTBAU HOLDING	Deutsche Börse	SLT GY	52,800		26.1	€	1.35%	1.38
Semiconductors								
MELEXIS	Euronext Brussels		159,455	6,822	12.9	€	2.02%	2.06
Materials								
UMICORE	Euronext Brussels	UMI BB	83,000	500	41.2	€	3.35%	3.42
Other sectors								
							0.00%	0.00
Direct Private Equity Investments			Asset type	Invested	Committed		18.83%	19.22
AC CAPITAL	Software & Services	equity	0.20		€	0.20%	0.20	
ANTERYON	Semiconductors	equity	1.50		€	1.47%	1.50	
CARTAGENIA	Software & Services	equity	0.63		€	0.61%	0.63	
CLEAR2PAY	Software & Services	equity	5.57		€	5.46%	5.57	
IDEA	Pharma & Biotech	equity	0.16		€	0.16%	0.16	
KIADIS	Pharma & Biotech	equity	2.37		€	2.33%	2.37	
MAGWELL	Software & Services	equity	0.43		€	0.42%	0.43	
MAPPER LITHOGRAPHY	Pharma & Biotech	equity	0.61		£	0.59%	0.61	
PROSONIX	Pharma & Biotech	equity	2.70		£	2.64%	2.70	
SYNTAXIN	Pharma & Biotech	equity	2.49		£	2.44%	2.49	
TCLAND	Pharma & Biotech	equity	2.76		€	2.71%	2.76	
Capricorn Private Equity Funds & ...				5.68	12.88		5.55%	5.68
CAPRICORN CLEANTECH FUND	Funds & Div. Cpies	equity	1.33	0.38	€	1.30%	1.33	
CAPRICORN HEALTH-TECH FUNI	Funds & Div. Cpies	equity	3.23	11.25	€	3.16%	3.23	
CAPRICORN CLEANTECH CO-INV	Technology hardware	equity	1.12	1.26	€	1.09%	1.12	
3rd Party Private Equity Funds				11.47	3.72	€	11.23%	11.47
Portfolio							94.96%	96.93
Net cash (incl. others & options)							5.04%	5.15
Adjusted equity value							100.00%	102.08
Number of shares (outstanding)								
Treasury shares (for remuneration purposes, resale, collateral,...)							0.00%	0
Treasury shares (available for cancellation)							0.00%	0
Number of shares (for per share calculation)								11,529,950
Quest for Growth last price								5.34
Adjusted equity value p.s.								8.85
Current discount								39.68%
Target prices								
Target equity value								102.08
Target equity value p.s.								8.85
Discount to target equity value								39.68%

KBCS has a BUY recommendation and a €6 target price.

The upside potential versus a stock price of €5.34 equals 12.36%.

The implied discount of our €6 target price vs. the target equity value is 32.23%.

Source: KBC Securities

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FINANCIAL DATA

Income statement (€m)	2011	2012E	2013E	2014E	2015E
Sales & operating income	0.0	-	-	-	-
Result from operating activities	0.0	-	-	-	-
Result from financing activities	0.0	-	-	-	-
Result from extraordinary activities	0.0	-	-	-	-
Share of result from associates	0.0	-	-	-	-
Income taxes	0.0	-	-	-	-
Discontinued activities	2.0	-	-	-	-
Minorities	2.0	-	-	-	-
Net result	-13.3	-	-	-	-
Adj. net result	-13.3	-	-	-	-
Balance sheet (€m)	2011	2012E	2013E	2014E	2015E
Intangible assets & goodwill	0.0	-	-	-	-
Tangible assets	0.0	-	-	-	-
Participations acc. for under equity method	0.0	-	-	-	-
Other financial assets	0.0	-	-	-	-
Cash & cash equivalents	0.0	-	-	-	-
Other assets	0.0	0.0	0.0	0.0	0.0
Total assets	91.2	-	-	-	-
Equity attributable to holders of the parent	91.1	-	-	-	-
Minorities	0.0	-	-	-	-
Financial debt	0.0	-	-	-	-
Other liabilities	0.0	-	-	-	-
Total liabilities	91.2	-	-	-	-
Net debt	0.0	0.0	0.0	0.0	0.0
Cash flow statement (€m)	2011	2012E	2013E	2014E	2015E
Cash flow from operating activities	0.0	-	-	-	-
Cash flow from investing activities	0.0	-	-	-	-
Dividends paid (consolidated)	0.0	-	-	-	-
Other cash flow from financing	0.0	-	-	-	-
Fx and changes to the consolidation scope	0.0	-	-	-	-
Change in cash & cash equivalents	0.0	-	-	-	-
Per share data (€)	2011	2012E	2013E	2014E	2015E
Year-end share price (€)	4.75	4.75	4.75	4.75	4.75
Year-end market cap (€m)	56.0	-	-	-	-
weighted average # shares	11,529,950	-	-	-	-
weighted average # shares, diluted	11,529,950	-	-	-	-
Basic EPS (€)	-1.15	0.07	0.09	0.16	-1.23
Diluted EPS (€)	-1.15	0.07	0.09	0.16	-1.23
NBV (€)	7.7	9.1	9.2	9.2	8.0
Adj. eq. value	7.9	9.1	9.2	9.2	8.0
Premium/disc.	39.72%	34.33%	36.88%	36.88%	37.42%
DPS (€)	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Ratios	2011	2012E	2013E	2014E	2015E
ROE	-12.56%	-	-	-	-
Total return	-10.5%	0.0%	0.0%	0.0%	0.0%
Pay-out ratio (adjusted net result)	0.0%	-	-	-	-
P/E	-	64.82	51.84	28.80	-
P/NBV	0.61	0.52	0.52	0.52	0.59
Statutory data	2011	2012E	2013E	2014E	2015E
Result from operating activities	-15.2	-	-	-	-
Result from financing activities	1.9	-	-	-	-
Result from extraordinary activities	0.0	-	-	-	-
Income taxes	0.0	-	-	-	-
Profit/loss before tax	-13.3	-	-	-	-
Dividend paid (statutory)	0.0	-	-	-	-
Financial assets	90.0	-	-	-	-
Other assets	1.2	-	-	-	-
Total assets	93.2	-	-	-	-
Capital and reserves	91.1	-	-	-	-
Provisions and deferred taxation	2.0	-	-	-	-
Liabilities	0.1	-	-	-	-
Total assets	93.2	-	-	-	-

Source: KBC Securities

*Historic valuation data are based on historic prices

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	Definition
BUY	Expected total return (including dividends) of 10% or more over a 6-month period
ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period
REDUCE	Expected total return (including dividends) between -15% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

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Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	29.30%	0.00%
ACCUMULATE	37.40%	0.00%
HOLD	31.70%	0.00%
REDUCE	0.80%	0.00%
SELL	0.80%	0.00%

Quest for Growth is a Belgian investment company focused on listed and unlisted growth companies with the objective of converting capital gains into tax-free income through the Privak-structure.

The price target for Quest for Growth is based on following parameters: Estimated Equity Value (NAV)

The risks which may impede the achievement of our price target are: high correlation with technology markets and sensitive to stock market fluctuations, no recurring profit, need to successfully exit unlisted investments, growth is hampered by regularity payout of realised capital gains

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
27-JAN-12	Buy	€ 6.00
06-OCT-11	Accumulate	€ 6.00

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