

6 June 2013

QUEST FOR GROWTH

1.1% increase in end-of-May NAV

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 6.66
TARGET PRICE € 7.30

ACCUMULATE
RATING UNCHANGED



— Price — Rel. to index (RHS)

Source: Thomson Reuters Datastream

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

Market Cap € 78.5m
Shares outst. 11.8m
Volume (daily) € 35,249
Free float 90.6%

Next corporate event

Results 1H13: 25 July 2013

(€ m)	2010	2011	2012
Net result	20.6	-13.3	15.7
Adj. net result	20.6	-13.3	0.0
Basic EPS (€)	1.74	-1.15	1.36
ROE	24.1%	-12.6%	17.2%
Adj. eq. value	8.99	7.88	9.26
Premium/disc.	42.9%	39.7%	38.4%
DPS (€)	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%

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Summary:

Quest's end-of-May NAV increased from € 9.66 to € 9.77 p.s., while its stock followed suit with an increase from € 6.55 to € 6.84 (29.99% discount). New investments were made in farma & biotech firm Galencia while provisions decreased from € 3.2m to € 0.4m. Rating and TP maintained.

News:

NAV at end-May moved up to € 9.77 p.s., versus € 9.66 at end-April. The stock followed suit and ended the month at € 6.84 (4.4% m/m), due to which the discount decreased to 29.99% (end-April 2013: 32.19%).

- Quest showed activity in May across all its sectors/markets. The company upped stakes in Econocom, SAP, Barco, Melexis, Fresenius, Sartorius, Andritz, Bertrandt, Kendrion while stakes in Init Innovation, EVS, LPKF, Pharmagest, United Drug and Arcadis were lowered. Combined, the listed portfolio at current prices totals € 68.45m and accounts for 62% of NAV. Listed assets break down in Software & Services (12%), Technology & Hardware (12%), Healthcare Equipment (14%), Semiconductors (3%), Electrical & Engineering (16%), Pharma & Biotech (1%) and Materials & Others (3%).
- Quest took a new position in Galencia while RTL was exited.
- The aggregated value of the direct Private Equity investments (€ 18m, excl. provisions) decreased marginally compared to € 19.6m at the end-of-April. The total amount of provisions declined severely from € 3.17m to € 0.4m (0.4% of NAV). Capital invested into various 3rd party investment funds totalled € 9.75. All PE assets are carried at € 35.4m (32% of NAV).
- We estimate net cash at € 8.43m (7.6% of NAV), which includes the valuation of options and other items as well as € 0.4m of the said provisions. Commitments total € 18.3m (52% of all PE investments).

Conclusion:

Based on yesterday's close, we estimate NAV at € 9.62 p.s. with a 30.78% discount. The implied discount of our € 7.3 TP vs. the target equity value is 24.1%. We believe this implied discount is warranted given that a FY13 dividend is within reach. Quest managed to exchange its carried-over losses in 1Q13 for a net profit of € 4.86m. This brings the annualized results to € 1.3m. However, extrapolating the current trend to the remainder of the year is a tricky exercise. Monthly NAV updates are not the de facto stock price drivers, but the potential for a dividend payment certainly is. We are somewhat surprised by the strong decline in provisions from € 3.2m (3% of NAV) to € 0.4m (0.4% of NAV) and will try to get more intel from the company. As the upside potential versus current levels equals 9.6% we maintain our Accumulate rating.