

24 October 2014

QUEST FOR GROWTH

Positive 3Q14 thanks to Clear2Pay

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE €7.11
TARGET PRICE €7.25

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg QFG.BB
Reuters QUFG.BR

www.questforgrowth.com

Market Cap €82.0m
Shares outst. 11.5m
Volume (daily) €47,434
Free float 72.9%

Next corporate event

Results FY14: 22 January 2015

(€m)	2011	2012	2013
Net result	-13.3	15.7	18.5
Adj. net result	-13.3	0.0	18.5
Basic EPS (€)	-1.15	1.36	1.60
ROE	-12.6%	17.2%	17.3%
Adj. eq. value	7.88	9.26	10.87
Premium/disc.	39.7%	38.4%	24.5%
DPS (€)	0.00	0.00	1.18
Dividend yield	0.0%	0.0%	14.4%

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Summary:

Quest for Growth reports a gain of €3.5m in 3Q14 (€0.31 p.s.), mainly thanks to the takeover of Clear2Pay. The profit for the first 9 months now amounts to €7.6m.

News:

The 3Q14 profit of €3.5m (€0.31 p.s.) compares with a 3Q13 profit of €3.4m (€0.29 p.s.) and a 1H14 profit of €4.0m (€0.35 p.s.). The 9M14 profit hence amounts to €7.6m, showing an ROE of 6.9% (vs. 8.4% in FY13 and 13.1% in FY12). Quest's monthly NAV updates had already unveiled that equity p.s. at end-3Q14 (30 September) had increased 6.9% to €10.18 vs. the YE13 value of €9.53 (after dividend deduction), with the stock discount vs. NAV p.s. increasing from 24% at YE13 to 29% at 30 September.

In the 3rd quarter, stock market volatility increased, an effect especially seen in Europe, due to weaker German economic figures and continuing tensions in Eastern Europe. Its heavy exposure to German (mostly small cap) stocks did not work out good for Quest, with both the German DAX index and European small cap index losing 4% in 3Q14. Despite this difficult market environment, Quest has still been able to record an average YTD share price increase of 5% for its listed investments (from -40% for EVS to +55% for Nemetschek and Melexis). Complete divestments during 3Q14 were Ablynx (ample profit) and Barco (limited loss), while profit was taken on Nemetschek and Gerresheimer. Positions in TKH and Sartorius haven been driven up.

The Clear2Pay deal yields Quest €4.7m (€0.41 p.s.), taking into account a discount on the amount put in escrow. The deal has been closed at the beginning of October. A positive result for the venture capital funds was achieved thanks to higher valuations in Capricorn Health-tech fund, thanks to an IPO of Mainstay Medical. Earnings from fund amounted to €1m over the first 9 months. Investments via the Capricorn funds are planned for the next months. Other stock price triggers can come from a continued favourable IPO and M&A environment.

Our View:

The quarterly result is never a surprise: Quest communicates its NAV updates on a monthly basis, hence disclosing indirectly its realised result. The potential for Quest to pay out a (tax-free) dividend is a main stock price driver. The publication's main takeaway is that the listed segment held up pretty well and that a dividend pay-out is still amongst the possibilities for now.

Conclusion:

Based on yesterday's closing prices, we currently estimate NAV p.s. at €9.8, hovering 28.07% above the current stock price of €7.11, close to the 2-year average discount of 29.34%. We hence stick to our Hold rating and €7.25 TP.