

13 May 2016

QUEST FOR GROWTH

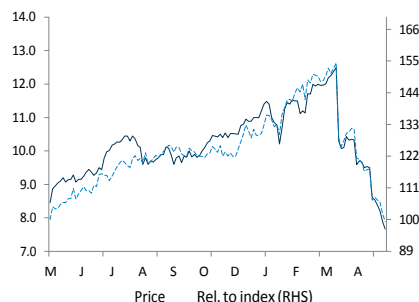
Quest's cap increase concluded

EQUITY INVESTMENT INSTRUMENTS

BELGIUM

CURRENT PRICE €7.59

TARGET PRICE €7.70

HOLD
 REINITIATING


Source: Thomson Reuters Datastream

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

Market Cap €87.5m
 Shares outst. 11.5m
 Volume (daily) €86,141
 Free float 72.9%

Next corporate event

(€m)	2012	2013	2014
Net result	15.7	18.5	8.7
Adj. net result	0.0	18.5	8.7
Basic EPS (€)	1.36	1.60	0.76
ROE	17.2%	17.3%	7.9%
Adj. eq. value	9.26	10.87	10.28
Premium/disc.	38.4%	24.5%	26.0%
DPS (€)	0.00	1.18	0.72
Dividend yield	0.0%	14.4%	9.5%

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Yesterday, Quest for Growth announced the results of its 3-for-1 rights issue. The company will issue 3,626,019 new shares at a subscription price of €7, raising €25,382,133 in total. The company hence raises 94% of the maximum €26.9m or 3,843,316 shares. The new shares represent 31.4% of the company's shares outstanding before the transaction.

During the subscription period running from 27 April to 11 May, there was a take-up of 80.8% or 3,105,731 new shares. In the scrip placement (at €0.15 per right) an additional 520,289 shares were taken up (21% retail, 79% institutional investors). Admittance of the new shares for Euronext Brussels listing is expected to take place on 17 May 2016.

The transaction allows Quest to grow both its public and private investment portfolio (currently, Quest is obliged to pay out minimum 90% of its profits). Especially in the private segment, the company is willing to further pursue investments in Capricorn managed funds, and be able to compete with bigger tickets.

Our View and Conclusion:

So far in May, the company has experienced a small NAV increase vs. the end April stance, up from €9.24 p.s. to our current estimate of €9.27. Quest recorded a small profit in March (around €350k), after it reported a loss over 1Q16 of €3.9m.

Incorporating the new amount of cash and shares in our model, NAV lands at €8.73 per share. With yesterday's close at €7.59, the stock is currently quoting at a 13% discount to €8.73.

With the finalisation of this transaction, we resume our coverage with a Hold rating, and a €7.7 TP given the dilution of the capital increase. This target price incorporates a 12% discount, somewhat smaller than Quest's 2y average of 19%. We believe the discount to revert to more normalised levels gradually, after it stayed particular strong around the dividend payment end March, even quoting at a premium shortly.

The company will obviously have difficulties to match record year 2015, both in the listed (currently around 63% of NAV) and unlisted portfolio. The listed portfolio started off from a high base end 2015, hence not escaping stock market corrections. On the other hand, there does seem to be less potential in the unquoted portfolio for lucrative deal making (e.g. last year's Prosonix).