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QUEST FOR GROWTH

Annual results: 20.3% RoE, €1.55 gross dividend

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE €9.88
TARGET PRICE €9.10

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 113.9m
Shares outst.	11.5m
Volume (daily)	€ 146,777
Free float	72.9%

Next corporate event

(€m)	2014	2015	2016
Net result	8.7	37.9	
Adj. net result	8.7	37.9	
Basic EPS (€)	0.76	3.29	
ROE	7.9%	34.5%	
Adj. eq. value	10.28	10.81	
Premium/disc.	26.0%	-5.5%	
DPS (€)	0.72	3.72	0.00
Dividend yield	9.5%	32.6%	

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Yesterday Quest for Growth published its FY17 annual results. NAV increased from €8.91 to €10.71 over the year, providing an RoE of 20.3%. The discount at YE17 stood at 18% vs 14% at YE16. Net result came in at €27.4m vs a €0.5m loss in FY16. Remind that the profit figure could already have been deduced from the YE17 NAV figure, which was communicated earlier this month. Quest proposes a DPS of €1.55 (net €1.52), in line with our forecast of €1.57. QfG is paying out 99.7% of the profit (statutory minimum payout 90%). The (choice) dividend will (after AGM approval) be paid on 17/04/18.

Listed portfolio

We saw general good stock market performance over FY17 with the STOXX Europe 600 net return at 10.6% and 18% for the STOXX Europe 600 net return (Quest's benchmark indexes). QfG's listed portfolio increased by over 20%, with Technotrans being up +100%, Umicore, Tomra, TKH, Nexus, Kingspan and Norma Group attained returns of +40%. Losses were made on a small part of the portfolio such as Axway, EVS and Fresenius. Quest added Axway Software, Aures, CEWE, Stratec Biomedical, Accell Group, Exel Industries and Datron to the portfolio, while removing Kuka, Zetes, Kiadis, Ablynx, UDG Healthcare and Andritz.

Unlisted portfolio

We recall QfG has adapted its investment portfolio to allow direct investments in unlisted companies again. These direct investments require to fall within Capricorn Ventures (QfG's mgmt. company) competencies, but outside the active investment period or specialisms of the VC funds. The companies need to have recurring revenue or proof of concept for Health-Tech. A first investment for €1m has already been made in HalioDx, a French diagnostic company.

VC fund investments

Quest acquired another investor's holding in Capricorn Cleantech in December, raising its stake from 2-10%. (additional) Investments were made by the funds in Arkite, Sensolus and Virovet.

Our view and conclusion:

We saw very good performance by Quest over FY17, resulting in a dividend yielding 17.6% on YE17 share price. The newly instated option to make direct investments allows for a broader investment horizon and a possible bigger allocation in unlisted companies. The also newly instated choice dividend will enhance QfG's ability to organically grow its portfolio.

We reiterate our €9.1 p.s. target price and Hold recommendation.