

QUEST FOR GROWTH

1H19 results, growing discount

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 6.00
TARGET PRICE € 6.60

ACCUMULATE

RATING UNCHANGED

Quest reported a profit of € 11.8m (€ 0.71 p.s.) over 1H19 vs a € 0.6m loss in 1H18. NAV grew 9.9% to € 7.83 p.s. vs € 7.12 p.s. at YE18, while share price simultaneously decreased with 7.3% entailing a discount of 27.9% at 1H19 vs 15.5% at YE18.

Listed portfolio

Thee market saw a strong first quarter followed by a more volatile environment with the STOXX Europe 600 Net Return up by 16.5% (13% in 1Q19 and % in 2Q19). The STOXX Europe Small Net Return index saw the same

Quest's portfolio fell slightly behind the general market with a 13% increase (gross performance) with negative contributions coming from Exel Industries (-29%), Aures (-18%), Umicore (-18%), Norma (-13%) and EVS (-10%). The most positive results were recorded by Akka Technologies (+45%), CEWE (+43%), SAP (+41%), TKH (+38%) and Nexus (+36%).

Quest purchased shares in both Biocartis the French Group Robertet, an natural aromatic producer for the food and cosmetic industry. USU Software was soled while positions in Nedap, Nexus and Umicore were increased. Given their performance, the weight of TKH and CEWE was reduced after they accounted for 5% of the total assets.

Unlisted portfolio

Sequana Medical collected € 27.5m in its February IPO with the majority of the shares under a 365 lock-up period and valued in the portfolio at a 12% discount (reduced with 1.5% every month). The transaction had a positive impact on Quest's NAV (if looked at market price). In 2Q19 Capricornr Cleanteach Fund made a successful exit from EpiGaN which was sold to Soitec. Furthermore Quest made a follow-up investment in NGData.

VC investments

The Sequana Medical listing had a positive valuation impact, offset by the further price falls of Nexstim and Mainstay. Capricorn Health-tech Fund also made a follow-up investment in Confo Therapeutics. While Capricorn ICT Arkiv made a follow-up investment in Icometrix, NGData and Arkite. Capricorn Sustainable Chemistry Fund invested further in DMC. LSP IV received a sizeable return on the investment in ArgenX.

Furthermore Quest for Growth has undertaken to invest € 15 million in the Capricorn Digital Growth Fund.

Our view and conclusion:

We see a small underperformance from the listed portfolio vs the market movements that we have seen over the first semester of 2019. We do see the discount at higher levels than its 2Y historical average of 17.1% (5Y Avg: 20.1%).

While we think a slightly higher discount compared to historical averages is warranted given the fact that the company will probably not be able to pay a dividend this year, we think QfG's current discount is exaggerated.



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 100.5m
Shares outst.	16.7m
Volume (daily)	€ 57,038
Free float	86.9%

Next corporate event
Results 3Q19: 24 October 2019

€ m	2016	2017	2018
Net result	0.5	27.4	-26.9
Adj. net result	0.5	27.4	-26.9
Basic EPS (€)	0.04	1.81	-1.61
ROE	0.5%	20.3%	-16.6%
Adj. eq. value	8.90	8.90	7.12
Premium/disc.	14.0%	14.0%	15.4%
DPS (€)	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%

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