

QUEST FOR GROWTH

FY19: NAV up 14%

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 6.06
TARGET PRICE € 6.60

ACCUMULATE

RATING UNCHANGED

Yesterday after market published its FY19 results. NAV increased 14% to € 8.12 ps (KBCSE: € 8.14; FY18: € 7.12), while SP decreased 2.0% from € 6.02 to € 5.90, implying a discount of 27% (2Y Avg: 19%; FY18: 15%). Net profit came in at € 16.7m (FY18: € - 26.9m). As a result of the carried forward losses, no divi will be paid. In 2019, QfG invested € 15m in Capricorn Digital Growth. Accumulate confirmed.

Results: Net profit for the fiscal year came in at € 16.7m (ROE: 14%), compared to a loss of € 26.9m last year. As last year's losses are carried forward, no dividend can be paid for fiscal year 2019.

Listed portfolio: The gross performance of the listed shares amounted to c. 21%, where CEWE, Akka, Kingspan, Steico, Nexus and SAP were among the best performers. On the other hand, Aures (-15%), Technotrans (-21%), Aliaxis (-10%) and Norma (-9%), were among the worst performers, as were Exel Industries and Biocartis who are not in the portfolio anymore.

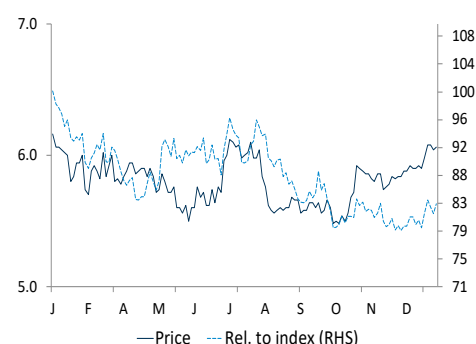
ForFarmers, Exel Industries and USU software were removed from the portfolio as performance was less than hoped for. On the flip side, Rovernet, PSI Software, LEM and B&C Software were added.

Unlisted portfolio: Sequana Medical, one of the joint investments of QfG and Capricorn Health-tech Fund, raised € 27.5m through an IPO in February. QfG's shares are subject to a 365-day lock-up period. In 2H19, QfG made a successful exit out of **EpiGaN** (in portfolio since 2011), a joint investment of QfG and Capricorn Cleantech Fund.

VC funds: QfG committed to invest € 15m in the Capricorn Digital Growth Fund. Of this amount, € 3.75m has already been invested at the foundation of the fund in June 2019. The fund will invest in data driven companies with a particular focus on Digital Health and Industry 4.0.

Our View & conclusion: As last year's loss (€ 26.7m) is carried forward, no dividend can be paid for 2019. Given the positive result of this year (€ 16.7m), QfG needs to report a result of € 10.2m before it can pay out a dividend again. This implies that a dividend is only possible when the NAV increases at least another 7.4% (0.6 ps) to € 8.73 ps.

We think such an increase should be possible, in which case we also expect QfG's discount to fall back from its current level of 25.6% to a more normal level in line with its historical average (2Y Avg: 19.5%; 5Y Avg: 18.9%). As a result, we reiterate our € 6.6 PT which implies a 20% discount to our TEV of € 8.3 ps. Accumulate confirmed.



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 101.5m
Shares outst.	16.7m
Volume (daily)	€ 65,660
Free float	86.9%

Next corporate event

€ 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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