

QUEST FOR GROWTH

Left behind in a volatile market

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 5.12
TARGET PRICE € 6.50

BUY

RATING UPGRADED

In its monthly update, QfG reported an NAV of € 7.96 ps for the end of June. An increase of almost 11% MoM that was partly made possible by the positive impact of € 0.35 ps on the sale of Bluebee. We currently estimate the NAV at € 8.0 ps, implying a whopping 36% discount to yesterday's closing price. The last time QfG reported an NAV around € 8.0 ps, the stock was trading at € 5.92 ps. We therefore change our rating from Accumulate to Buy and increase our TP from € 5.9 to € 6.5 ps, resulting in an upside potential of 27% from yesterday's close.

News:

Although no new companies were added to the portfolio in the month of June, QfG did acquire some new shares in existing stakes. More specifically, it bought extra shares in CEWE Stiftung, the recently added LEM holding, TKH Group, Varta, Stratec, Tubize and Gurit. On the sell side, the holding continued to decrease its exposure in Cenit, Nexus, Pharmagest Interactive, Technotrans, Kingspan and Umicore. It also sold some of its stake in SAP and Aures Technologies. The position in Aliaxis was completely removed from the portfolio.

QfG also did some revaluations of the fund portfolio which saw their value increase from € 24.6m to € 27.9m. The value of the unquoted companies and co investments rose from € 11.1m to € 11.2m, even without the stake in Bluebee, which was previously valued around € 1.5m.

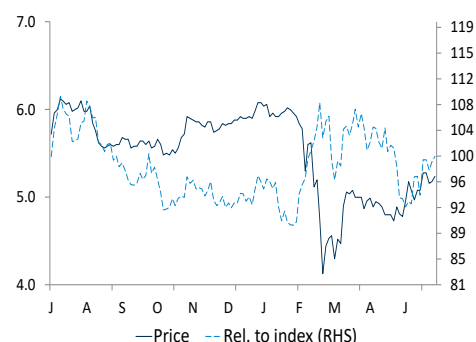
Our View:

In the month of June, QfG saw its NAV increase by 10.7% vs 1.8% for the Stoxx Europe 600 index and flat Stoxx Europe Small 200 index. On a yearly basis, Quest's NAV is only down a shy 2% whereas the Stoxx600 and SCXP are down 13.2% and 14.1% respectively.

Although QfG is doing outstandingly well in the current market, its share price has not been able to benefit from this. This has resulted in a discount increase to 35.7% versus a 2-year average of 23.4%. Despite the fact that QfG will probably not be able to pay out a dividend next year, we believe the current discount is exaggerated as the privak has a strong track record and well diversified portfolio. The listed stakes, good for almost 60% of the portfolio, are also limited in size. This enables the holding to react quickly. Quest also holds a strong cash position of € 12.4m or 9.3% of the NAV.

Investment case

Quest for Growth has a strong track record and cash balance combined with a diversified and liquid portfolio. We therefore believe the discount of 36% is overdone and see a discount of 20%, in line with the 2y-average of 23%, as more reasonable. Based on a 20% discount to our TEV of € 8.2 ps, **we change our rating from Accumulate to Buy and increase our TP from € 5.9 to € 6.5 ps.**



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 85.7m
Shares outst.	16.7m
Volume (daily)	€ 60,552
Free float	86.9%

Next corporate event
Results 1H20: 30 July 2020

€ 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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