

QUEST FOR GROWTH

Continues to outperform (NAV of € 8.43 ps)

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 5.58
TARGET PRICE € 6.50

BUY

RATING UNCHANGED

In its traditional monthly update, Quest for growth reported an NAV of € 8.43 ps, a 1.9% increase compared to last month and up 3.8% YTD (FY19: € 8.12 ps). Overall, no major changes occurred in the listed portfolio. The privak did however report a € 2.0m investment in a yet to be disclosed unquoted company. We currently estimate the NAV at € 8.48 ps, implying a discount of 34.2% vs an estimated 2Y average of 25.1%. Based on our TEV of € 8.7 ps and discount in line with the 2Y average, we reiterate our Buy rating and € 6.5 TP.

News: In the month of September, no new companies were added to the listed portfolio. Quest did however slightly increase its position in the software company CEWE Stiftung, Stratec Biomedical, Kerry Group and Umicore. On the sell side, Aures Technologies and battery maker Varta were completely removed from the portfolio while positions in SAP, B&C Speakers, Nexus, Kingspan and Steico were reduced.

In the private segment, Quest reported a new co-investment with Capricorn funds of € 2.0m in an undisclosed company. Excluding this recent investment, the overall value of the unquoted co-investments increased from € 7.1m to € 7.7m while the value of the direct investments also slightly increased from € 4.9m to € 5.3m.

The overall reported value of the fund portfolio decreased from € 28.9m to € 25.2m but was mainly attributable to divestments in the Capricorn ICT Arkiv Fund as its valuation decreased from € 8.4m to € 5.4m.

The cash position came in a € 12.3m or 8.7% of the NAV while other net assets amounted to € 3.8m.

Our View: With a 1.9% increase in NAV, Quest reported another strong result for the month of September. To put this into perspective, the Eurstoxx50 was down 2.5% for the month while the Eurostoxx SmallCap and Eurostoxx SmallCap net return index were down 1.5% and 3.4% respectively.

Investment Case: We remain bullish on Quest as we currently estimate the NAV at € 8.5ps, implying a discount of 34% compared to yesterday's close. Although the privak first has to compensate € 0.55 ps in forward losses before it can pay out a dividend, we estimate the holding to be eligible to distribute its realised profits at an NAV of around € 8.7 ps by year end. Should the general stock market sentiment continue to improve in the upcoming months, we believe Quest's stock price will outperform the underlying increase in NAV as its discount traditionally contracts in the runup to a dividend payment. As such, the privak even traded at a premium in 2016, a year in which Quest rewarded its shareholders with a massive dividend of € 2.73 ps. Based on our TEV of € 8.7 ps and discount in line with the historical average, we reiterate our Buy rating and € 6.5 TP.



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 93.4m
Shares outst.	16.7m
Volume (daily)	€ 62,454
Free float	86.9%

Next corporate event
Results 3Q20: 29 October 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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