

QUEST FOR GROWTH

Q3 results, no changes vs September update

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 5.26
TARGET PRICE € 6.50

BUY

RATING UNCHANGED

In its Q3 results, QfG reported an NAV of € 8.43 ps. No surprise as this is unchanged from the most recent September update. This does however not take away the splendid result the privak was able to generate so far with an increase in NAV of 3.9% (FY19 € 8.12 ps), a significant outperformance compared to the European STOXX Europe 600 Net return index who lost 12% over the same time period. Overall, a profit of € 5.3m (€ 0.32 ps) was recorded for the first 9 months vs € 7.9m for the same period last year. Meanwhile, QfG's share price dropped 6.8% from € 5.9 to € 5.5 ps, resulting in a significant discount of 34.8% at the end of the quarter. Looking at yesterday's close, we currently estimate Quest's NAV at € 8.17 ps, implying a discount 35.6%, unjustified viewing its solid performance so far. We hence reiterate our buy rating and € 6.5 TP.

Listed Portfolio: Overall, QfG estimates a slightly positive contribution from the listed portfolio since the start of the year, outperforming other major EU indices. A total of nine listed equities were removed from the portfolio in 2020: Sequana, Robertet, CFE and Norma Group in the Q1, EVS, Akka and Aliaxis in Q2 and Cenit and Aures in Q3. In Q1 Tubize, Stratec and Gurit were acquired, while Kerry, LPKF and Varta joined the portfolio in Q2. In Q3 Quest took a stake in ABO Wind while the recent acquisition in Varta was sold again after almost doubling in value.

Unlisted companies: As stated in the September update, Quest made a new undisclosed € 2m co-investment with the Capricorn Digital growth fund. No further details on the investment were given in the Q3 report. Over the course of the year, follow-on investments were made in Miracor Medical, Sensolus and Scaled Access. Overall, the value of the direct investments in unlisted companies is up from € 4.0m to € 5.3m YTD while the contribution of the co-investments increased from € 5.1m to € 9.8m.

VC Funds: The Capricorn ICT Arkiv fund made follow on investment in Inidigo Diabetes, Lindacare and Scaled Access while also participating in the financing round of IoT company Sensolus. For the Sustainable Chemistry Fund, a new investment was made in Zeopore Technologies, with a follow on investment in DMC technologies. Finally, the Digital growth fund further invested in Indigo Diabetes and is also the partner for the new undisclosed co-investment with Quest for Growth. Overall, the value of the fund portfolio declined from € 27.3m at the end of FY19 to € 25.3m, partially attributable to shifts within the portfolio.

View & Investment case We remain bullish on Quest as we currently estimate the NAV at € 8.17ps, implying a discount of 35.6%. 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 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. We reiterate our Buy rating and € 6.5 TP.



Source: Thomson Reuters Datastream

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| Bloomberg | QFG BB |
| Reuters | QUFG.BR |
| www.questforgrowth.com | |
| Market Cap | € 88.1m |
| Shares outst. | 16.7m |
| Volume (daily) | € 55,269 |
| Free float | 86.9% |

Next corporate event

Results FY20: 28 January 2021

| € 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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