

QUEST FOR GROWTH

Ending the year on a high note

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 6.66
TARGET PRICE € 7.20

ACCUMULATE

RATING DOWNGRADED

In its last portfolio update of the year, Quest reported an NAV of € 9.14ps end-December, up 3.7% for the month and 12.6% for the full year (FY19: € 8.12ps). After an expansion of the discount from 27% end-2019 to nearly 40% at the beginning of November, the discount contracted to 27.3% based on an estimated NAV of € 9.17ps at yesterday's close. A contraction we believe is more than justified viewing the strong performance in 2020, hereby clearing carried forward losses and hence opening the path for a dividend distribution. Based on our TEV of € 9.27 ps and discount in line with the historical averages (2Y: 27.4%, 5Y: 18.5%), we increase our TP from € 6.50 to € 7.20ps but lower our rating from Buy to Accumulate after the already significant discount contraction in the recent months.

News: Qfg reported an NAV of € 9.14ps end-December, up 12.6% for the year, outperforming the STOXX Europe 600 (Net Return) and STOXX Small 200 (Net Return) indices by 14.6% and 7.8% respectively.

During the month of December, Quest increased its position in Cewe Stiftung and sold part of its position in Melexis, Pharmagest Interactive, Technotrans, Gurit, Kerry Group and Steico.

Two new companies were added to the portfolio:

- Accell Group: a designer and manufacturer of racing, children, hybrid, mountain, electric and luxury bicycles. The company is known for brands like Batavus, Sparta and others. The group also makes bicycle accessories and fitness equipment.
- Mayr-Melnhof Karton: an Austrian manufacturer of cardboard, folding cartons, and packaging materials primarily from recycled wastepaper.

Our View: Quest for Growth's actively managed portfolio posted a strong return in 2020 by following key trends in the market (clean-tech, health-tech etc.). As such, the total portfolio value increased from 136.2m end-2019 to € 153.3m end-2020. The € 17.1m valuation increase will clear the carried forward loss of € 9.2m end-2019, hence making Quest eligible for a dividend payment. As a privak, at least 80% of realised profits of the financial year are distributed as dividends. Quest however, aims for at least 90%. Although no gains had been realised end-Sep (€ -1.0m), we believe the portfolio shifts in Q4 might still result in a positive realised profits. This would make a FY20 dividend plausible.

Investment Case: Taking into account the strong performance in 2020, healthy net cash balance of 4.9% and possible FY20 dividend, which traditionally contracts the discount, we increase our TP from € 6.50 to € 7.20ps based on a discount to our TEV (€ 9.3ps) in line with the historical averages. As the discount has already contracted substantially in Nov/Dec, we do however lower our rating from Buy to Accumulate.



Source: Thomson Reuters Datastream

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|--|----------|
| Bloomberg | QFG BB |
| Reuters | QUFG.BR |
| www.questforgrowth.com | |
| Market Cap | € 111.5m |
| Shares outst. | 16.7m |
| Volume (daily) | € 75,463 |
| 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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