

QUEST FOR GROWTH

Double digit dividend yield incoming?

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 7.80
TARGET PRICE € 8.60

ACCUMULATE

RATING UNCHANGED

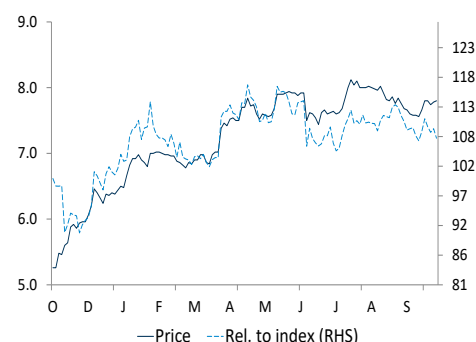
As was already mentioned in the monthly update, Quest's NAV at the end of September amounted to € 10.37 ps (FY20: € 9.14 ps). Further accounting for the capital reduction of € 0.4 ps at the end of June, Quest is currently looking at a return of 17.9% YTD. This is in line with the Stoxx Europe 600 Net return and Stoxx Europe Small 200 Net return indices, returning 16.1% and 18.1% respectively. Based on the portfolio composition at the end of September, we currently estimate Quests NAV at € 10.67ps. After applying a discount of 20% TEV, we reiterate our Accumulate rating and € 8.6 TP.

News:

- NAV of € 10.37 ps, up 13.4% YTD and up 17.9% including the € 0.4 ps capital reduction at the end of June.
- Net profit for the first 9 months amounts to € 27.3m or € 1.63ps compared to € 5.3m or € 0.32 ps during the same period last year.
- Quest's share price increased 24.1%, resulting in a discount contraction from 28.9% end-2020 to 26.5% at the end of September.
- The performance of the listed portfolio is estimated around 20%, hereby outperforming its benchmark indices (Stoxx 600 Europe Net Return: +16.1%; Stoxx Europe Small 200 Net Return +18.1%)
- In the **private portfolio**, HaliDx got acquired by Veracyte, resulting in a capital gain of € 6.7m or € 0.4 ps. Together with the Sustainable Chemistry fund, Quest also invested € 1.9m in Qpinch, a Belgian scale-up which delivers industrial heat pumps.
- In the **fund portfolio**, the cleantech and ICT Arkiv fund made several follow-up investments while the Chemistry and China fund did new investments in Qpinch and Spectricity. The Digital Growth had a second interim closing, resulting in a capital increase of € 66m.

Our View: Qfg is on track for another strong year with a performance that is in line with its benchmark indices. In absence of any major stock market correction in Q4, we believe a FY21 dividend distribution is becoming very likely. However, giving the change in Privak regulations back in 2018 from 80% distribution of earnings to 80% distribution of the realized profits (note that QfG aims for at least 90%), the size of the dividend remains uncertain as only 40% of the profits have been realised so far.

Investment case: Based on the current profit of € 1.63ps, accounting for the preference share structure and assuming QfG would find a to pay out 90% of the net profit rather than the realised profit (which is still not certain), we estimate the FY21 dividend would currently come in at € 1.30 ps, implying a yield of 16.6% based on yesterday's closing price. As the discount traditionally declines in the runup to large dividend payments, sometimes even resulting in a slight premium, we believe a lower discount of 20% to our TEV of € 10.84 ps is justified. We hence reiterate our Accumulate rating and € 8.6 TP.



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 130.6m
Shares outst.	16.7m
Volume (daily)	€ 89,756
Free float	86.9%

Next corporate event

Results FY21: 27 January 2022

€ m	2018	2019	2020
Net result	-26.9	16.7	17.1
Adj. net result	-26.9	16.7	17.1
Basic EPS (€)	-1.65	1.00	1.02
ROE	-16.6%	14.0%	12.5%
Adj. eq. value	7.12	8.12	9.14
Premium/disc.	15.4%	27.3%	28.9%
DPS (€)	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%

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