

QUEST FOR GROWTH

Portfolio returns 21.6% for the year

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 8.12
TARGET PRICE € 8.60

ACCUMULATE

RATING UNCHANGED

Quest for Growth closed the year with an NAV of € 10.71 ps, up 17.2% y/y and +21.6% including the € 0.40ps capital reduction earlier this year. Based on the strong performance, we expect the group to pay-out an ordinary dividend of at least € 0.57ps, and most likely higher given the continuous profit taking in 4Q21. Based on our TEV of € 10.65 ps and discount of roughly 20%, We reiterate our Accumulate rating and € 8.6 TP.

News:

- End of December NAV of 10.71 ps, up 17.2% y/y and +21.6% including the € 0.40 ps capital reduction that took place in April 2021.
- The month of December was characterised by quite some portfolio rotations, with the privak slightly decreasing its stakes in CEWE Stiftung, LEM holding, PSI Software, Technotrans, Abo Wind and Steico while positions in Pharmagest Interactive, Kerry Group, Mayr-Melnhof and Thermador were slightly increased

Our View: Quest for growth can look back at a very solid 2021 with a total return of 21.6%. The return does however slightly underperform its benchmark indices, with the Stoxx Europe 600 NR and Stoxx Europe Small 200 NR increasing 24.9% and 22.9% respectively. Note that Quest significantly outperformed both indices back in 2020, beating the Stoxx Europe 600 by 14.6% and Stoxx Europe Small by 7.8%.

Given that Quest already cleared its forward losses back in 2020, we can conclude that Quest will most likely pay-out a dividend in 2022. The size of the dividend does however remain hard to assess given the change in privak regulations, with the current guidelines stating that privak's should pay-out at least 80% of the "realised profits" whereas this was previously based on the net profit. We know for a fact that QfG already realised € 10.9m in profits at the end of 3Q21, or roughly € 0.65ps. Assuming a 90% pay-out and accounting for the preference shares, this would imply a dividend of € 0.57 per ordinary share, providing a yield of 7.1% (based on FY21 close). Note however that the group continued to reduce positions in strong performers like Abo Wind, LEM, Steico etc in 4Q21. This will likely further boost the realised profits by year end and hence the amount that is eligible for dividend payments. As a reminder, the final dividend will be announced at the full year figures on January 27th.

Investment case: Quest booked a strong performance in 2021. Although not all the profits will be distributed as a dividend given the change in privak regulations, we do expect the group to announce a dividend of at least € 0.57ps based on 3Q21 figures, and most likely higher given the ongoing profit taking in 4Q21. The unrealised gains will also increase the likelihood of a dividend in 2023, although still dependent on the underlying portfolio evolution. Given that discounts usually contract in the runup to dividend payments, we reiterate our Accumulate rating and € 8.6 TP.



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 136.0m
Shares outst.	16.7m
Volume (daily)	€ 87,829
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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