

Quest For Growth

Belgium/Financial Services

Analyser



Accumulate

Recommendation unchanged

Share price: EUR 5.55

closing price as of 29/07/2011

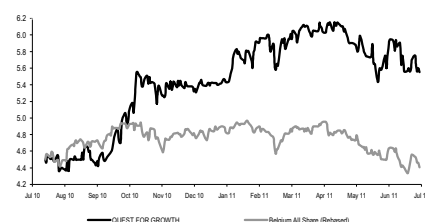
Target price: EUR 6.60

Reuters/Bloomberg

OUFG.BR/OUFG.BB

Market capitalisation (EURm)	64
Current N° of shares (m)	12
Free float	76%
Daily avg. no. trad. sh. 12 mth	13,313
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	6.15
Price low 12 mth (EUR)	4.22
Abs. perf. 1 mth	-3.81%
Abs. perf. 3 mth	-8.11%
Abs. perf. 12 mth	32.14%

Estimated	NAV	breakdown		
Listed	shares	-	26.	26%
Listed	shares	- Pharma &	9.	9%
Listed	shares	-	25.	25%
Direct	private	equity	16.	17%
Venture	Capital		14.	15%
Convertible	loan	notes &	0.	0%
Other assets			4.	4%
Net cash/(debt) position			4.	5%
Total	Net	Asset	102.1	100%
NAVPS (EUR)			8.851	
Share	price*		5.5	
Discount to NAV			-37.3%	



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Management comments post 1H11 release

The facts: After the 1H11 release, Quest for Growth (QfG) management provided as customary some insight on the YTD performance of the portfolio, its vision about the present market environment and some comments on the operational performance of directly held private equity portfolio companies.

Our analysis: After a strong FY09 (+27%) and FY10 (+24%), QfG continued to perform rather well in 1H11 on a relative base (+2.6%), even when excluding the positive effect of the cancellation of treasury shares in 2Q11 (EUR +0.07/share). However, the sole contributor to the net result was its quoted portfolio while private equity was more or less break-even.

Main contributing sectors in the quoted portfolio are *Software & Services* (Nemet-schek, Unit 4, Econocom, Innit Innovation...), *Materials* (Umicore...) and *Funds & Diversified Companies* (Capricorn Health-tech Fund...). Particularly the sectors *Pharma & Biotech* (Teva Pharmaceutical and Roche holdings...) and *Electrical & Engineering* (Arcadis, Imtech, Andritz, Faiveley...) performed negatively. Currency & equity hedges, the financial result and the cancellation of treasury shares had all a positive impact on NAV.

In the listed part of the portfolio, QfG holds on to its preferred main investment themes (small caps in IT, healthcare and cleantech) and it continues to apply structural forex risk hedging, but no equity hedging. Amongst others the new positions in Wacker Chemie (quoted - polysilicon production), Ducatt (co-investment with Capricorn Cleantech Fund (CCF) - production unit of solar glass for photovoltaic cells) and EpiGaN (also co-investment for CCF - epitaxial materials for power electronics) fit in the cleantech frame work.

Regarding the pending merger between Quest Management and Capricorn Venture Partners (CVP) with the latter being the surviving entity, it was confirmed that in the mean time CVP has submitted an application to the Belgian regulator FSMA in order to obtain a license for asset management and investment advice. The transaction should be closed before year end. With regards to investments, CVP's network will allow QfG having access to a larger deal flow and a stronger investment team for non-quoted companies. This was already illustrated by the two small co-investments QfG did with Capricorn Cleantech Fund in 1H11. On the costs sides however, we expect synergies to remain limited.

Conclusion & Action: Over 1H11, we only remind QfG's successful stock-picking in the quoted portfolio. YTD the company did not manage to book a significant capital gain in its unquoted portfolio so far.

We estimate the current NAV at EUR 102.1m or EUR 8.85/share. This means that at last Friday's close, the corresponding discount amounted to -37%. We still lack visibility on any exits (and consequently possible capital gains) in QfG's private equity portfolio. However, because of the continued strong M&A activity in Europe and the above average discount to NAV, we maintain our Accumulate rating and EUR 6.60 TP.