

Sales desks

Amsterdam	+31 20 563 2121
Brussels	+32 2 547 1377
New York	+1 646 424 6036

[Research contacts \(click here\)](#)

Benelux Morning Notes

24 January 2014

COMPANY COMMENTS

CMB: 4Q13 operations in line with expectations, modestly optimistic

Philips: 4Q13 preview

Quest For Growth: FY13 dividend at €1.18 per share, target price raised

Ziggo: 2014 guidance disappoints, LGI discussions progressing

MACRO NEWS

Canada: All eyes on inflation...

Belgium: Good news for budget balance

THIS MORNING'S RESEARCH (CLICK ON LINK FOR FULL REPORT)

CFE/This profit warning may even help the case/BUY

Although painful, the profit warning issued by CFE's construction and technical services units actually highlights the significance of the re-rating story. We reiterate our BUY rating and raise our target price to €81.5. We continue to use a target EV/EBITDA of 5.5x but shift our focus to 2015F. We believe the prime goal of CFE's new owners is to unlock the value of the dredging asset and in order to do so they need to restructure the construction businesses. DEME is one of the world's leading dredging companies and in 2014F reflects 99% of CFE's group EBIT. Despite this the stock still trades at its old historical average 4.6x 2014-15F EV/EBITDA.

Delhaize/Relief on comparable sales and capex/HOLD

Delhaize reported better-than-expected comparable store sales in 4Q13 in both the US (+2.8%) and in Belgium (2.4%), whilst South Eastern Europe was slightly weaker (-0.6%). Preliminary underlying group profit at c.€770m at identical exchange rates was as expected, but FCF was higher at €670m on lower-than-expected capex and better NWC performance. Outlook guidance for disciplined capex is a relief to investors. However, for 2014, we expect continued margin pressure in both the US and Belgium, related to the very tough environment. Hence, we maintain our HOLD recommendation, but raise our SOTP-based target price to €52.5.

Maintained

Hold

Price (23/01/14)	€3.66
Previous target price (12m)	€7.80
Target price (12m)	€9.60
Forecast total return	10.9%
Market cap	€99.8m
Bloomberg	QFG BB

Quest For Growth: FY13 dividend at €1.18 per share, target price raised

Yesterday after the close, Quest released its FY results for 2013. As already announced Quest ended FY13 with a NAV of €10.87/share, up 8.3% from 9M13 NAV of 10.04/share. Over the FY Quest generated a strong 17% NAV return, versus CCMP's 34% total return and the SXXNFP's 20.3%. The share's total return came in at an impressive 44%, as the discount narrowed from 38% to 24% by year-end.

The solid performance resulted in a profit for the year of €18.5m (€1.6/share), absorbing the carried-over losses of €3.6m, and resulting in €15.7m being available for distribution to shareholders. Quest decided to pay-out 100% of the distribution-eligible profits, resulting in a dividend per share of €1.18. Based on the share price of Thursday 23 January, this implies a 13.6% gross dividend yield. At the end of December Quest held €4.3m cash and €13m in commercial paper in short-term assets to finance the dividend. We assume the reinstatement of the dividend will lead to further discount narrowing, as observed on historical discount analysis around dividend announcements/payments. We estimate this is driven by Quest's advantageous taxation regime (with no withholding tax due on the part of the dividend that stems from capital gains) and the present 25% discount to NAV. The forementioned elements effectively allow shareholders to crystalize the majority of the discount on the dividend eligible part of the NAV (€14.9m on total NAV of €125.3m).

Quoted equity had a very good year with a total return close to 30%. The strong performance was fuelled by the outstanding performance of Melexis, Nemetschek, Arcadis, Schaltbau and LPKF. Furthermore, the number of positions posting a negative performance was limited to 5. Performance of the direct non-quoted portfolio was slightly negative on the back of some impairments. However, the performance of the venture capital funds more than offset the slightly negative performance of the direct investments and hence the total PE portfolio contributed positively to the FY13 result.

In its outlook statement, Quest points out that the future picture of equity markets is more mixed with, on the one hand, better economic conditions but, on the other hand, challenging valuations. The mixed climate in turn results in a very challenging condition to repeat the FY13 quoted performance. However, in turn, the later cyclical non-quoted part of Quest's portfolio could benefit from the present investment climate, resulting in more value-creating exits.

Our updated NAV stands at €11.1/share, implying a 22% discount for the present share price. Our 12 month target NAV stands at €11.3/share. We lift our target price to €9.6, valuing Quest at a 15% discount.

Risks: Quest performance is directly linked to broader equity market performance, hence heightened equity market volatility could hamper the return profile of Quest.

Matthias Maenhaut, Brussels +32 2 557 1693