

Maintained

Hold

Price (23/10/14)	€7.11
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Maintained

Target price (12m)	€8.00
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Forecast total return	12.5%
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Market cap	€82.0m
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Bloomberg	QFG BB
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Quest for Growth: solid 3Q14 results

Yesterday, after market close Quest published a 3Q14 trading update in line with our expectations. Given continued positive performance during 4Q13, Quest's dividend capacity has further improved. A gross dividend of c.60c seems likely, implying a gross yield of 7.7% on yesterday's share price. Our updated 12 month target NAV stands at €10.5 per share implying a 32% discount to NAV at the present share price. Our TP values Quest on the back of a 20% target discount.

During 3Q13, Quest has realized a 3% NAV TSR, accreting to €10.18 per share, versus a -4.6% TSR for the TECDAX index (price) and -0.6% for the SXXNFP. Quest's 3Q14 share price performance was -1.85% as the discount widened from 26% to 24%. For the first 9 months of the year Quest posted a NAV TSR of 6.9%, versus 6.5% for the TECDAC index.

The 9M13 6.9% NAV TSR implies profit for the nine months of €7.6m. If we pencil in a 90% payout on eligible profits we arrive at a gross dividend of 60 cents, implying a gross yield of 7.7% on yesterday's close.

The 9M13 performance of the quoted portfolio, came in at a strong 5% despite the geographical tilt towards Germany and the mid-caps. Leaders in the portfolio were Melexis (+53%) and Nemetschek (+38%). The most significant laggard was EVS.

The unquoted part of the portfolio of QFG saw a solid positive return during the third quarter, driven by the divestment of Clear to Pay and a positive return on the venture funds.

Asset allocation remained broadly unchanged, hence quoted equity remained the dominant asset class at 55.3% of total assets. Net cash amounted to €3m at 09/14.

In terms of prospects Quests pointed towards the recent deterioration in macro-economic indicators which does not bode well for corporate earnings. On the other hand the EURUSD decline should prove to be supportive while valuations have come to more reasonable levels. For the non-listed portfolio M&A sentiment remains favourable while the IPO window is still open.

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