

**EQUITIES**
**Company update**

3 July 2017

**Hold** (maintained)

 Price (30/06/17)  
 €8.04

 Target price (12-mth)  
 €8.70 (previously €7.60)

 Forecast total return  
 8.2%

**Financial Services**
**Belgium**
**Bloomberg: QFG BB**
**Reuters: QUFG.BR**
**Share data**

Avg daily volume (3-mth)	21,416
Free float (%)	87.9
Market cap (€m)	122.2

Source: Company data, ING estimates

**Share price performance**


Source: ING

## Quest for Growth

### Back on track with a dividend in 2017?

Over the first 6 months of 2017, Quest for Growth has outperformed European indices such as the Stoxx Europe 600 and the Stoxx Europe Small 200, posting an ROE of 17.2% (ING estimate). Assuming the ROE to be maintained for the remainder of the year, we estimate a dividend of €1.2 per share, implying that the shares are trading at a 15% 2017F gross dividend yield. We continue to value at a 20% discount to our 12-month target NAV (3-year average discount to NAV: 23%) and so raise our TP from €7.60 to €8.70. With a forecast return of 8.2%, we reiterate our HOLD.

**More than 90% of assets invested:** As a result of the new regulation (see below), which allows investors to opt for a stock dividend, Quest for Growth does not have to reserve a large amount of cash by year-end to be able to pay-out the dividend. This bodes well for the return of the portfolio as cash drag is minimized. The listed portfolio represents 68% of the NAV and the non-listed portfolio 23%. The 5 largest shareholdings are TKH Group, Andritz, Pharmagest Interactive, Gerresheimer and Technotrans. Combined they represent c.19% of NAV.

**ROE:** Quest for Growth generated a ROE of c.17.2% (realized and unrealized) over the first 6 months of 2017 (ING estimate), significantly outperforming the Stoxx Europe 600 and the Europe Small 200 indices, which posted ROEs of 8.9% and 7.8% respectively.

**TRA and discount to NAV:** Total shareholder return over the first 6 months of the year stands at 5.5% as the discount expanded from 14% at year-end 2016 to 23% over the period. This compares to an average discount of 23% over the past 3 years.

**Dividend forecast:** Assuming a 90% pay-out ratio and taking into account that 20% of the profits that exceed the 6% hurdle rate are distributed to preferential shareholders, we estimate a dividend of c.€1.20 per share based on YTD profits. This implies that the shares are currently trading at a 15% gross dividend yield.

**Dividend modalities:**

- Given the advantageous taxation regime for Belgian retail investors (no withholding tax is due where dividends are sourced from capital gains on shares realized), the dividend effectively allows Belgian retail investors to crystallize the majority of the discount.
- With regards to the dividend of a PRICAF/PRIVAK, we remind investors that a revision of the 1997 Royal Decree on the PRICAF/PRIVAK legislation back in August, allows for more flexibility on dividend distribution and portfolio composition. The main changes are (1) public PRICAFS are able to declare a stock dividend and (2) investment policy rules are modernised and simplified. The new rules should be seen as positive news for Quest for Growth as the ability to opt for a stock dividend will substantially enhance organic growth, which has long been one of the hurdles for the company and the main reason of the capital increase in 2016.

**Financial metrics**

	2013	2014	2015	2016	2017 <sup>1</sup>
NAV per share (€)	10.9	10.3	12.8	8.9	10.4
Share price (€)	7.7	7.1	10.6	7.6	8.0
Average premium (discount) (%)	(35.4)	(29.5)	(25.3)	(14.0)	(23.0)
Dividend per share (€)	1.10	0.67	2.55	0	1.2
Dividend Yield (%)	14.4	9.4	24.0	0.0	14.9

<sup>1</sup>As at 30/06/2017

Source: Bloomberg, ING estimates

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## Valuation

We continue to value Quest for Growth on the back of a 20% target discount to our 12-month target net asset value (NAV)

## Company profile

Quest for Growth is a Belgian PRIVAK, which focuses on private equity and venture capital investments with a focus on the health care, biotechnology, information technology, software, and telecommunications and semiconductors sectors.

## Risks

Quest for Growth's NAV and discount are heavily geared towards the sentiment of the general equity market. A deterioration or improvement in sentiment could have a negative or positive impact on Quest for Growth's share return.

## ING NAV calculation

Shareholding	TP shareholding value (€)	% of NAV
Software & services	22,241,565	13.5
Technology hardware	16,844,795	10.3
Semiconductors	1,866,039	1.1
Medical services & equipment	23,287,765	14.2
Pharma & biotech	7,283,223	3.8
Electrical & engineering	24,559,466	14.9
Materials	18,617,375	11.2
Options	157,200	0.1
Private companies	8,441,268	5.1
Venture capital funds	31,557,757	19.2
<b>Portfolio value</b>	<b>154,699,253</b>	<b>93.4</b>
Adjustments to private companies and funds	(3,970,307)	-2.4
Receivables	5,399,523	3.3
Cash	8,511,089	5.2
Other net assets	868,326	0.5
<b>Equity value (NAV)</b>	<b>165,507,884</b>	
# shares	15,154,969	
<b>NAV per share (€)</b>	<b>10.9</b>	
Target discount (%)	20.0	
<b>Target price (€)</b>	<b>8.7</b>	

Source: ING estimates

# Disclosures Appendix

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Buy	52%	62%
Hold	48%	64%
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	<b>100%</b>	

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**Buy:** Forecast 12-mth absolute total return greater than +15%

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**Sell:** Forecast 12-mth absolute total return less than -5%

Total return: forecast share price appreciation to target price plus forecast annual dividend. Price volatility and our preference for not changing recommendations too frequently means forecast returns may fall outside of the above ranges at times.

PRICE & RATINGS HISTORY TO 02/06/17: QUEST FOR GROWTH (QUFG.BR)



B = Buy; H = Hold; S = Sell; NR = Not Rated; R = Restricted

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Source: ING

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