

Description

Quest for Growth is a Belgian investment company focused on listed and unlisted growth companies with the objective of converting capital gains into tax-free income through the Privak-structure.

Investment cases

- Quest's investors benefit from Belgium's Privak statute, thanks to which the gross dividend is net of taxes
- Quest has a dynamically managed portfolio of listed stocks, leaving it vulnerable to the market's momentum
- Quest's unlisted investments have been subject to writedowns against a background of a frozen M&A market
- Our rating is entirely based on valuation grounds, as the stock is trading at relatively high discount levels

Shareholder structure

	# shs	% shs	value (€m)
Dexia Bank	1,393,813	11.82%	6.08
KBC Asset Mgt	574,357	4.87%	2.50
Laxey Partners	1,413,780	11.99%	6.16
Free float	8,407,305	71.31%	36.66

Analyst opinion

Stock price:	€ 4.36
Target price:	€ 5.50
Potential:	20.73%
Rating:	BUY

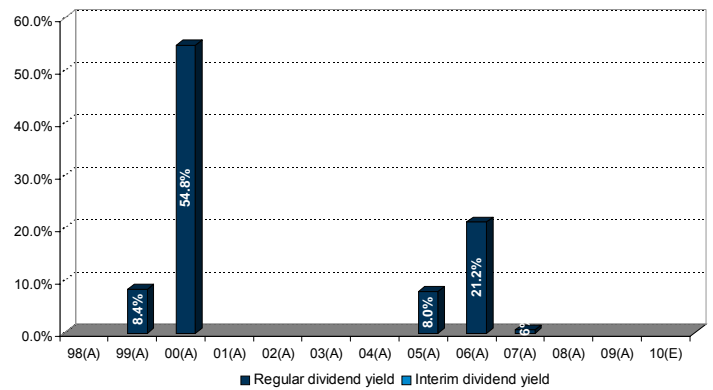
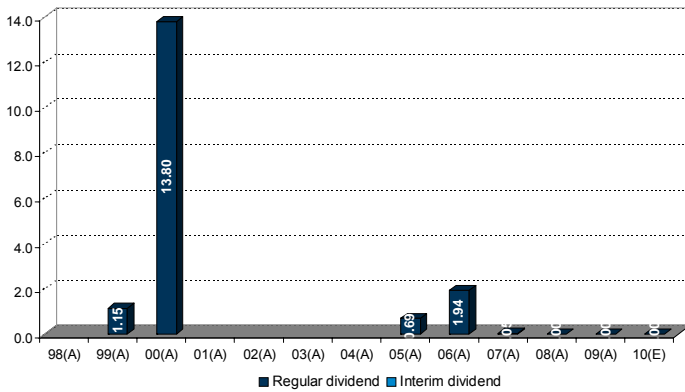
Company specifics

Market cap:	€ 51m
Currency:	EUR
Avg. daily value:	€ 0.07m
Avg. 3M volume:	5,933
% chg 1M:	-1.13%
% chg 1Y:	14.74%
52-week hi/lo:	4.95 / 3.52
BB-code:	QFG BB
Reuters-code:	QUFG.BR
Web:	www.questforgrowth.com

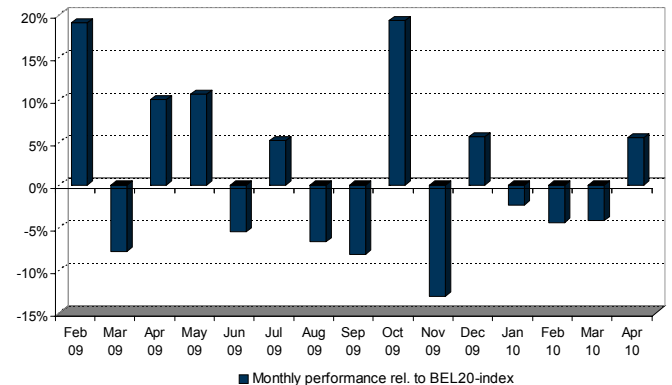
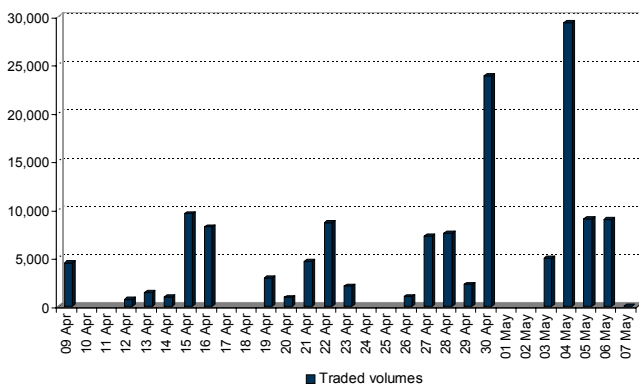
Corporate calendar

04-Jun-2010	NAV update (A)
02-Jul-2010	NAV update (A)
22-Jul-2010	Results 1H (A)
23-Jul-2010	Analyst Meeting (A)
06-Aug-2010	NAV update (A)
03-Sep-2010	NAV update (A)

Dividend data



Volume and performance data



News flow

06-05-2010: TP and rating increase following April NAV update

NAV at end-April increased to € 7.56 per share, versus € 7.42 at end-March (+1.9% m/m, +4.3% YTD). The stock increased a tad to € 4.50 (+2.3% m/m, -3.2% YTD), due to which the discount remained more or less level with the end-March reading at 40.48%. Quest made some changes to its listed portfolio, upping stakes in Unit 4 Agresso, Roche Holdings, Imtech, Pfeiffer and Centrotec and lowering positions in Wirecard, Séloger, TKH group, Andritz, Arcadis and Vestas Wind Systems.. Quest didn't add new investments to the ranks, but disposed entirely of its Tandberg stake (which was subject to a takeover offer by Cisco). Combined, the listed portfolio totals € 56.5m and accounts for 61.5% of NAV. Listed assets break down in Software & Services (14.7%), Technology & Hardware (10.2%), Pharma & Biotech (4.6%), Healthcare Equipment (2.8%), Electrical & Engineering (16.1%) and Materials (5.6%). Quoted/unquoted assets (i.e. Movetis) account for 7.4% of NAV. The value of the direct Private Equity stakes wasn't subject to some adjustments as well. Quest halved the carrying value of Active Circle (from € 0.8m to € 0.4m) and converted the £ 0.28m Sphere Medical loan note into equity (this was already confirmed on the 1Q10 analyst meeting). The valuation of most of the 3rd Party funds was adjusted to reflect YE09 standing: valuation in general remained steady with previously reported levels. The direct and indirect PE portfolios are valued at a respective € 16.4m and € 8.3m. Combined, PE stakes account for € 24.7m, or 26.75% of adjusted equity. We currently estimate net cash at € 9.1m (9.9% of NAV), which includes the valuation of options and other items on the balance sheet. The official NAV figure still hovers south of our NAV estimate, due to a lock-up discount to the Movetis stake that shaves off around € 0.7 p.s. of the official NAV estimate. We are disappointed about the negative valuation adjustment at the level of Active Circle investment, but in general continue to believe that the underlying valuation of PE portfolio is stable. We estimate adjusted equity value per share at € 7.82. We note that despite a broad number of past writedowns in the Private Equity portfolio and the fact that it has few options to create value via exits (IPO or trade sale), valuations are still undemanding: Quest's NAV performance relative to its stock price and its benchmark indices has held up quite well; the discount currently hovers a tad below 44%. We therefore decided to increase our TP from € 5.25 to € 5.5, which reduces the implied discount versus NAV to 30%. The upside potential from current trading levels amounts to 25%, which prompted us to increase our rating from Accumulate to Buy.

23-04-2010: 1Q10 marks 4th consecutive quarterly profit

Quest in 1Q10 booked a € 2.08m profit (€ 0.18 p.s.), marking the 4th consecutive quarterly period that was written in black. The profit compares with a 1Q09 loss of € 2.07m (€ 0.18 p.s.) and FY09 profit of € 18.07m (€ 1.53 p.s.). Quest's monthly NAV updates had already unveiled that equity p.s. at end-1Q10 climbed to € 7.42 p.s., versus € 7.25 at end-FY09 (+2.3% ytd), while the stock decreased to € 4.40 (+5.4% ytd). As a result of the surprisingly negative stock price evolution, the discount narrowed to 40.7% (versus 35.9% at end-FY09). The 2.3% YTD rise of NAV compares with a 12.9% rise of the benchmark Nasdaq index (triggered by the rise of the USD vs. the EUR) and a 6.7% increase of the New Market 50 index. Overall, the first quarter brought little excitement for Quest for Growth. In terms of profitability the listed portfolio (again) accounts for almost all of the result, as the small-cap and speciality investor continued to profit from a sharp increase of specialty stocks (that lagged up until YE09). Earnings contribution from the privately-held portfolio amounted to € 0.2m, but the portfolio's underlying valuation has certainly stabilised; the need to impair valuations has evaporated and peer group valuations have risen on the back of higher economic growth expectations. Quest has also witnessed an improvement in the overall quality of new investment proposals for PE investments, which – coupled with more realistic valuation expectations – could indicate more investment activity further down the road. During 1Q10, Quest's AGM approved the proposed agreement between the company and Quest Management NV. The fee decreased from € 1.9m (€ 0.16 p.s.) to a fixed annual level of € 1.5bn (€ 0.13 p.s.). The agreement kicked in on 1 April 2010 and runs over 12 months. The Global Cost Ratio (all costs carried by QfG versus NAV) will be kept below 3.5%. Going forward, Quest believes that the economic recovery will persist, even in Europe, but also that the period of bargains on the stock markets, which have taken a head start on future growth, seems to be mostly over. The 1Q10 profit confirms an earlier reported increase in monthly NAV. Despite having closed yet another quarter in the black, Quest's balance sheet still carries € 24.7m of carried-over losses; investors better not bank on the payment of a dividend anytime soon. On the bright side, having taken a number of impairments at the level of the unlisted portfolio in FY09 abides well, as this might have increased the underlying potential and quality of the Private Equity portfolio (both direct and indirect). We estimate adjusted equity value per share at € 7.62 with a dazzling 41.7% discount. Awaiting the outcome of an analyst meeting, scheduled of 11AM today, we stick to our Accumulate rating and € 5.25 TP.

06-04-2010: March update unveils NAV rise of 2.1% m/m

NAV at end-March increased to € 7.42 per share, versus € 7.27 at end-February (+2.1% m/m, +2.3% YTD). The stock hovered more or less steady at € 4.40 (+1.1% m/m, -5.4% YTD), due to which the discount remained level with the end-February reading at 40.70%. Quest made some changes to its listed portfolio, upping stakes in WireCard, Ablynx, Teva Pharmaceuticals and Arcadis and lowering positions in Unit 4 Agresso, EVS and TKH Group. Quest didn't add new investments to the ranks, but sold all of its Téléperformance, Wilex and Solar Millennium shares. Combined, the listed portfolio totals € 57.7m and accounts for 65% of NAV. Listed assets break down in Software & Services (14.9%), Technology & Hardware (11.3%), Pharma & Biotech (4.7%), Healthcare Equipment (2.9%), Electrical & Engineering (17.5%) and Materials (6.1%). Quoted/unquoted assets (i.e. Movetis) account for 7.7% of NAV. The value of the direct Private Equity stakes wasn't subject to changes and there was few to no important activity in the 3rd Party fund portfolio either. The direct and indirect PE portfolios are valued at a respective € 15.6m and € 8.4m. Combined, PE stakes account for € 24.6m, or 28% of adjusted equity. The official NAV figure still hovers south of our NAV estimate, due to a lock-up discount to the Movetis stake that shaves off around € 0.8 p.s. of the official NAV estimate. Our SOTP model, however, applies actual market values. The discount currently stands at 40.1%; we again state that we believe this level to be unjustifiably high for a dynamic investment company such as Quest, despite a broad number of past writedowns in the Private Equity portfolio and the fact that it has few options to create value via exits (IPO or trade sale). Our adjusted equity value estimate amounts to € 7.52, leaving upside potential of 16.6%. Accumulate rating maintained with a € 5.25 target price (30% discount to target equity value).

18-03-2010: Fixed management fee fixed at €1.75m

Quest for Growth at yesterday's AGM announced the details of the adjusted agreement between the company and Quest Management NV. The fee for managing QfG decreases from € 1.9m (€ 0.16 p.s.) to a fixed annual level of € 1.5bn (€ 0.13 p.s.). The agreement kicks in as from 1 April 2010 and runs over 12 months. Both parties agreed to keep the Global Cost Ratio (all costs carried by QfG versus NAV) below 3.5%. Should the management fee drop below 1.5% p.a., an adjustment of the agreement will also be considered between both parties. Based on the last published portfolio update (end-February 2010), the fee amounts to 1.75% of NAV (previously: 2.27%). Going by our current NAV estimate, which is based on yesterday's closing prices and which doesn't include an IPO discount on Movetis, the management fee amounts to 1.69%. But this NAV figure includes 3rd Party Fund investments totalling € 8.4m, on which Quest pays fees of its own, so that in our view the new management fee amounts to 1.97% of "adjusted" NAV and 3.25% of Quest market capitalisation (due to the elevated discount). Even when the 1.75% compares with a list of peers that charge even bulkier fees, we believe this isn't exactly cheap in the framework of remuneration structures of Benelux Holding & Investment companies. As a reminder, QfG's management is also compensated via dividends on its "preferred" stock, an effect that isn't in play now but upon reinstalling dividend flows will kick in as well. We estimate adjusted equity value p.s at € 7.51. The 38.9% discount far from reflects the company's underlying value and in our view is explained by the

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Sum-of-the-parts model

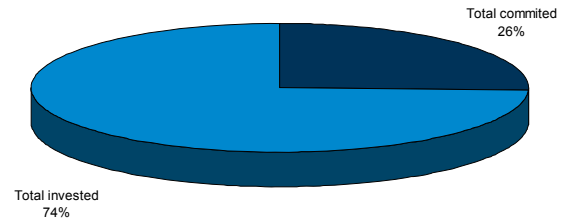
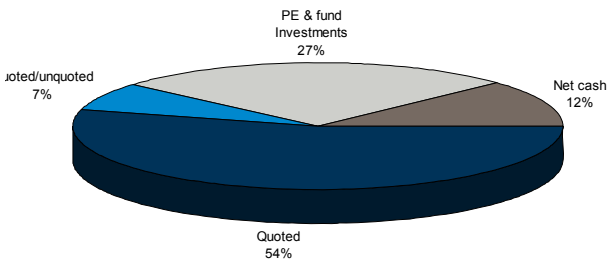
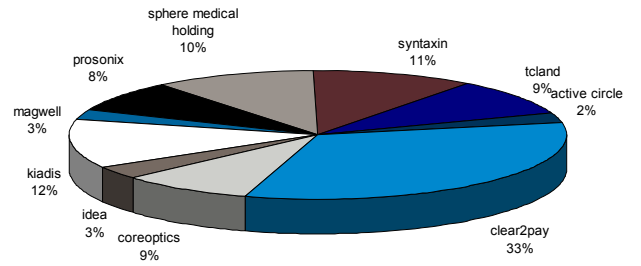
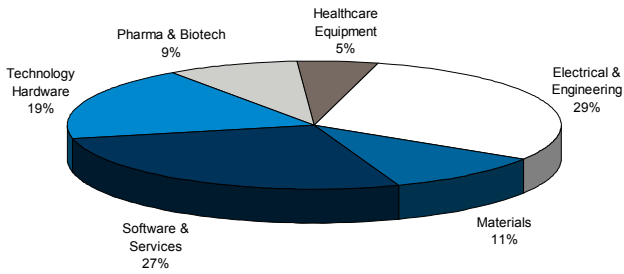
Description	Sector/market	BB	Shares held	Recent change	Last price	Crncy	% of NAV	Valuation (€)
Quoted companies							14.72%	13.55
Software & Services								
INIT	Deutsche Börse	IXX GY	100,000	0	14.0	€	1.52%	1.40
NEMETSCHKE	Deutsche Börse	NEM GR	135,000	0	23.7	€	3.48%	3.20
SELOGER.COM	Euronext Paris	SLG.FP	30,000	-5,000	29.7	€	0.97%	0.89
TRANSICS	Euronext Brussels	TRAN BB	250,000	0	5.9	€	1.60%	1.47
UNIT 4 AGRESSO	Euronext Amsterdam	U4AGR NA	190,330	330	18.9	€	3.91%	3.60
VIZRT	Deutsche Börse	VIZ GR	326,191	0	3.0	€	1.06%	0.98
WIRECARD	Deutsche Börse	WDI GR	250,000	-50,000	8.1	€	2.19%	2.02
Technology Hardware								
EVS BROADCAST	Euronext Brussels	EVS BB	55,000	0	39.0	€	2.33%	2.14
LEM HOLDING	Zwitsersland	LEHN SW	10,000	0	345.0	CHF	2.65%	2.44
TANDBERG	Oslo	TAA NO	140,000	0	169.0	NOK	3.25%	2.99
TKH GROUP	Euronext Amsterdam	TWEKA NA	110,060	-34,745	15.5	€	1.86%	1.71
Pharma & Biotech								
ABLXNX	Euronext Brussels	ABLX BB	115,000	0	6.8	€	0.84%	0.78
MOVETIS*	Pharma & Biotech	MOVE BB	523,601	0	12.9	€	7.32%	6.74
ROCHE HOLDINGS	SWX Swiss Exchange	ROG VX	20,000	2,500	166.0	CHF	2.55%	2.35
TEVA PHARMACEUTICAL	Nasdaq	TEVA US	25,000	0	58.8	USD	1.26%	1.16
Health Care Equipment & Svs								
UNITED DRUG	Dublin	UGD ID	1,018,628	0	2.6	€	2.88%	2.65
Electrical & Engineering								
ANDRITZ	Vienna	ANDR AV	70,000	-10,000	43.0	€	3.27%	3.01
ARCADIS	Euronext Amsterdam	ARCAD NA	235,000	-15,000	15.8	€	4.04%	3.72
FAIVELEY	Euronext Paris	LEY FP	20,000	0	57.6	€	1.25%	1.15
IMTECH	Euronext Brussels	IM NA	77,055	2,055	22.2	€	1.86%	1.71
PFEIFFER VACUUM TECHNO	Deutsche Börse		45,000	5,000	58.0	€	2.84%	2.61
SMA SOLAR	Deutsche Börse	S92 GY	14,000	0	93.5	€	1.42%	1.31
VESTAS WIND SYSTEMS	Copenhagen	VWS DC	30,000	-5,000	305.6	DKK	1.34%	1.23
Materials								
CENTROTEC	Deutsche Börse		100,000	5,000	12.2	€	1.33%	1.22
GEBERIT	SWX Swiss Exchange	GEBN VX	12,000	0	175.1	€	1.61%	1.49
UMICORE	Euronext Brussels	UMI BB	100,000	0	25.5	€	2.77%	2.55
Loan notes							1.99%	1.83
Private Equity investments			Asset type	Invested	Committed		26.72%	24.61
ACTIVE CIRCLE	Software & Services	equity		0.40		€	0.43%	0.40
CLEAR2PAY	Software & Services	equity		5.36	0.21	€	5.82%	5.36
COREOPTICS	Technology Hardware	equity		1.43		\$	1.55%	1.43
IDEA	Pharma & Biotech	equity		0.52		€	0.56%	0.52
KIADIS	Pharma & Biotech	equity		2.00		€	2.17%	2.00
MAGWELL	Software & Services	equity		0.43		€	0.47%	0.43
PROSONIX	Pharma & Biotech	equity		1.26		£	1.36%	1.26
SPHERE MEDICAL HOLDING	Pharma & Biotech	equity		1.72		£	1.86%	1.72
SYNTAXIN	Pharma & Biotech	equity		1.74		£	1.89%	1.74
TCLAND	Pharma & Biotech	equity		1.50		€	1.63%	1.50
THIRD PARTY INV FUNDS	Various	Funds		8.26	8.14	€	8.97%	8.26
Portfolio							90.08%	82.96
Net cash (incl. others & options)							9.92%	9.13
Adjusted equity value							100.00%	92.10
Number of shares (outstanding)								
Treasury shares (for remuneration purposes, resale, collateral,...)							2.20%	259,305
Treasury shares (available for cancellation)							0.00%	0
Number of shares (for per share calculation)								11,789,255
Quest for Growth last price								
Adjusted equity value p.s.								4.36
Current discount								7.81
								44.19%
Target prices								
Target equity value								92.10
Target equity value p.s.								7.81
Discount to target equity value								44.19%

KBCS has a BUY recommendation and a €5.5 target price.

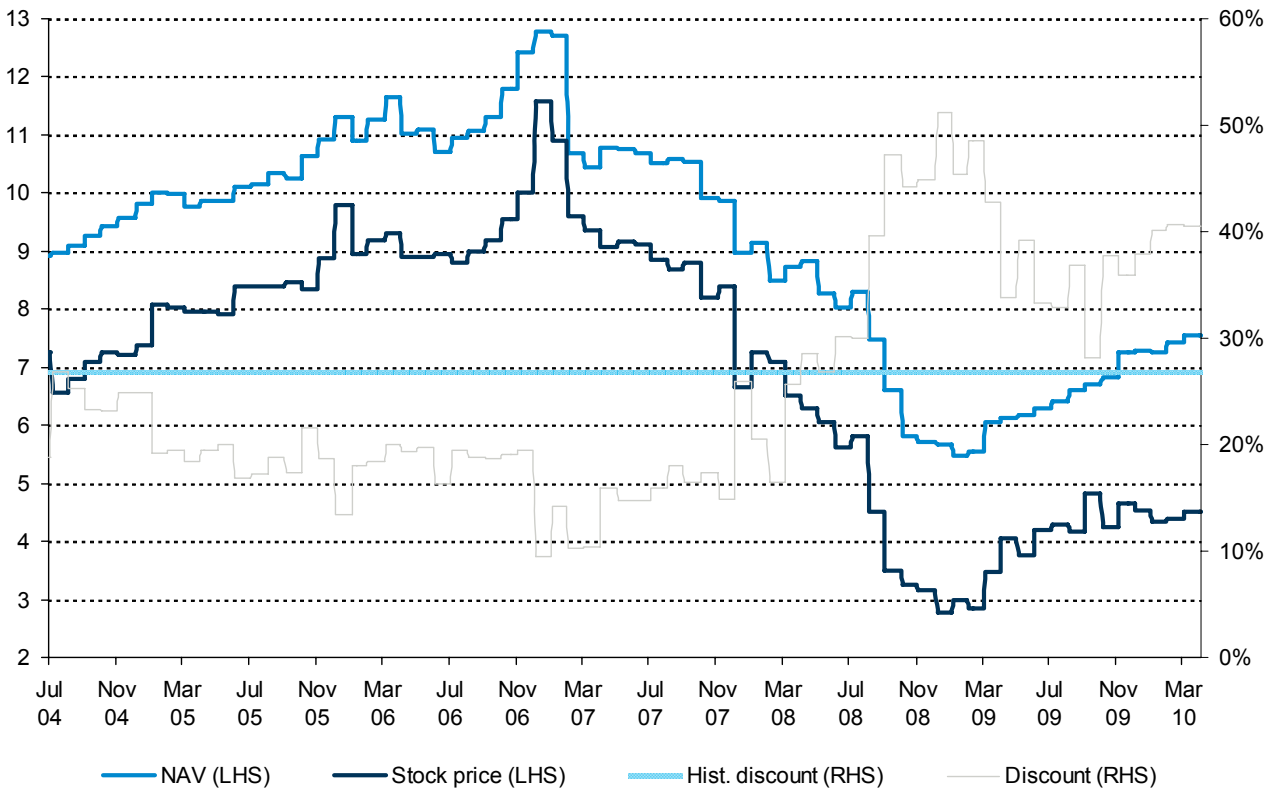
The upside potential versus a stock price of € 4.36 equals 26.15%.

The implied discount of our € 5.5 target price vs. the target equity value is 29.6%.

Graphical portfolio breakdown



Historical NAV overview



Financial data

Income statement (€m)	04/05	2005	2006	2007	2008	2009
Sales & operating income	0.0	0.0	0.0	0.0	0.0	0.0
Result from operating activities	0.0	0.0	0.0	0.0	0.0	0.0
Result from financing activities	0.0	0.0	0.0	0.0	0.0	0.0
Result from extraordinary activities	0.0	0.0	0.0	0.0	0.0	0.0
Share of result of associates	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued activities	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Share of the group	4.6	7.3	21.5	0.6	-48.4	18.1
Adjusted net result	4.6	7.3	21.5	0.6	-48.4	18.1
Balance sheet (€m)	04/05	2005	2006	2007	2008	2009
Intangible assets & goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Participations acc. for under equity method	0.0	0.0	0.0	0.0	0.0	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash & cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL ASSETS	63.8	103.7	117.6	116.5	67.7	85.6
Equity attributable to holders of the parent	63.6	103.2	95.9	115.8	67.4	85.4
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Financial debt	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL LIABILITIES	63.8	110.6	117.6	116.5	67.7	85.6
net debt	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow statement (€m)	04/05	2005	2006	2007	2008	2009
Cash flow from operating activities	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid (consolidated)	0.0	0.0	0.0	0.0	0.0	0.0
Other cash flow from financing	0.0	0.0	0.0	0.0	0.0	0.0
Fx and changes to consolidation scope	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash & equivalents	0.0	0.0	0.0	0.0	0.0	0.0
Per share data	04/05	2005	2006	2007	2008	2009
Year-end share price (€)	7.9	8.9	10.0	8.4	3.2	4.7
Year-end market cap (€ m)	42.8	84.0	94.6	99.0	37.1	54.8
Weighted average # shares	5,416,000	9,459,073	9,459,073	11,789,255	11,789,255	11,789,255
Weighted average # shares, diluted	5,416,000	9,459,073	9,459,073	11,789,255	11,789,255	11,789,255
Basic EPS (€)	0.85	0.77	2.28	0.05	-4.11	1.53
Diluted EPS (€)	0.85	0.77	2.28	0.05	-4.11	1.53
NBV (€)	11.7	10.9	10.1	9.8	5.7	7.2
Adjusted equity value (€)	11.7	10.9	12.4	9.9	9.9	7.3
Premium (-) / Discount to (vs. YE stock price)	32.71%	18.61%	19.48%	14.89%	14.89%	35.86%
Gross dividend	0.00	0.69	1.94	0.05	0.00	0.00
Gross dividend yield	0.00%	7.77%	19.40%	0.60%	0.00%	0.00%
Ratios	04/05	2005	2006	2007	2008	2009
Return on Equity (avg)	7.2%	7.0%	22.4%	0.5%	-71.9%	21.2%
Total return	9.7%	21.1%	34.5%	-15.5%	-62.5%	47.6%
Pay-out ratio (adjusted net result)	0.0%	99.9%	100.0%	96.7%	0.0%	0.0%
P/E	9.30	11.58	4.39	159.58	-0.77	3.03
P/NBV	0.67	0.81	0.99	0.86	0.55	0.64
Statutory data (€m)	04/05	2005	2006	2007	2008	2009
Result from operating activities	4.7	7.2	20.7	0.3	-48.6	16.9
Result from financing activities	-0.1	0.1	0.9	0.3	0.2	1.2
Result from extraordinary activities	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes	0.0	0.0	0.0	0.0	0.0	0.0
PROFIT/LOSS FOR THE PERIOD	4.6	7.3	21.5	0.6	-48.4	18.1
Dividends paid (statutory)	0.0	-7.2	-21.5	-0.6	0.0	0.0
Financial assets	63.0	103.2	117.3	116.1	67.1	85.1
Other assets	0.8	0.5	0.3	0.4	0.6	0.5
Capital and reserves	63.6	103.2	95.9	115.8	67.4	85.4
Provisions and deferred taxation	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	0.2	7.4	21.6	0.7	0.3	0.1
TOTAL ASSETS	63.8	110.6	117.6	116.5	67.7	85.6