

29 October 2010

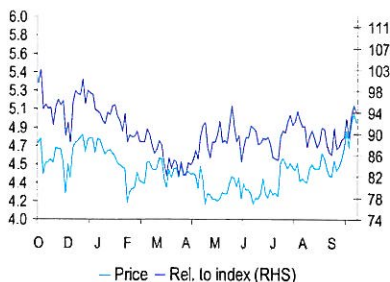
QUEST FOR GROWTH

Movetis pushes 9M10 results to € 13.2m

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 4.95
TARGET PRICE € 5.75

BUY
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg QFG BB
Reuters QUFG.BR
www.questforgrowth.com

Market Cap € 58.4m
Shares outst. 11.8m
Volume (daily) € 42,761
Free float 90.6%

Next corporate event

Analyst Meeting 10: 29 October 2010

(€ m)	2007	2008	2009
Net result	0.6	-48.4	18.1
Adj. net result	0.6	-48.4	18.1
Basic EPS (€)	0.05	-4.11	1.53
ROE	0.6%	-41.8%	26.8%
Adj. eq. value	9.87	9.87	7.25
Premium/disc.	14.9%	14.9%	35.9%
DPS (€)	0.05	0.00	0.00
Dividend yield	0.6%	0.0%	0.0%

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Intro:

Quest for Growth reported 3Q10 profit of € 11.7m, bringing 9M10 result to € 13.2m. TP and rating maintained.

News:

Quest in 3Q10 booked a € 11.75m profit (€ 1.00 p.s.), which compares with a 3Q09 loss of € 5.11m (€ 0.43 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-3Q10 (30 September) climbed to € 8.37 p.s., versus € 7.25 at end-FY09 (+15.4% ytd), while the stock even declined to € 4.42 (-4.9% ytd). As a result of the weak stock price evolution, the discount climbed to 47.2% (versus 35.9% at end-FY09). The 15.4% YTD rise of NAV compares with a 10.2% rise of the benchmark Nasdaq index and a 6.7% increase of the New Market 50 index. The 3Q10 profit reduced the carried-over losses on the balance sheet to € 13.34m (vs. € 25.1m on 1H10). As long these losses are on the balance sheet, Quest can't pay out dividends (which are free of withholding tax). Hence, we continue to pencil in dividend payments no sooner than May 2012 (over FY11 earnings).

Clearly, the third quarter was an exciting one for Quest for Growth. The main event was Shire's bid on Movetis, which produced a € 4.5m capital gain: the bid not only boosted the stock price, but also allowed removing the IPO discount that was applied in the carrying value. In terms of profitability the listed portfolio at end-3Q10 booked a provisional annual result of almost 15%.

Our View:

The quarterly result is never a surprise, since Quest's communicates with investor via disclosing monthly NAV updates. Hence, the underlying result is communicated indirectly. However, given the recent stock price momentum, the earnings report could nevertheless prove to be a short-term stock price trigger as our current NAV estimate (€ 8.5 per share) still hovers substantially above current trading levels (41% discount!).

Conclusion:

Based on the fact that we see no triggers, we're keeping our Buy rating and TP unchanged. The upside potential from current levels amounts to 16.2%.