

4 November 2010

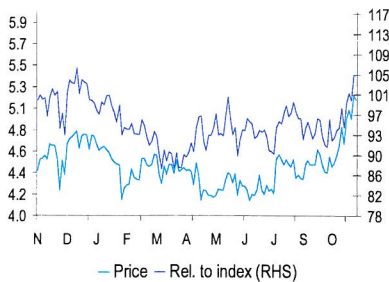
QUEST FOR GROWTH

Raising TP as NAV continues to rise

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 5.14
TARGET PRICE € 6.10

BUY
RATING UNCHANGED



Source: Thomson Financial Datastream

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

Market Cap € 60.6m
Shares outst. 11.8m
Volume (daily) € 45,502
Free float 90.6%

Next corporate event

NAV update 10: 3 December 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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Summary:

Quest's end-of-October NAV update unveiled that NAV soared to € 8.60, its highest level since May 2008. While the stock is finally initiating a catch-up with NAV, we increase our TP from € 5.75 to € 6.10. Buy rating maintained.

News:

NAV at end-October increased to € 8.60 p.s., versus € 8.37 at end-September (+2.7% m/m, +18.6% YTD). The stock increased sharply to € 5.09 (+15.2% m/m, +9.5% YTD), due to which the discount decreased to 40.8% (end-September: 47.2%).

Quest made a broad number of changes to its listed portfolio, most likely as a result of the Movetis cash coming in. The company upped stakes in existing portfolio companies Init, Nemetschek, EVS, TEVA Pharmaceuticals, United Drug and Accell Group. Positions in WireCard and THK Group were lowered. New investments included Pharmagest Interactive and KPN, while stakes in Vestas Wind Systems, Movetis and Geberit were sold. Combined, the listed portfolio at current prices totals € 61.06m and accounts for 59.3% of NAV. Listed assets break down in Software & Services (13.8%), Technology & Hardware (9.6%), Pharma & Biotech (5.6%), Healthcare Equipment (3.7%), Electrical & Engineering (17.3%) and Materials & Others (8.4%). Quest no longer has Quoted/unquoted assets on its balance sheet.

The aggregated value of the direct Private Equity stakes decreased a tad as the carrying value of Sphere Medical was halved (from € 1.65m to € 0.84m), compensated only marginally by an increase in the carrying value of Syntaxin. The press release once again left us in the dark as to "why" of these revaluations. The valuation of the 3rd Party funds remained stable in October. The direct and indirect PE portfolios are currently valued at a respective € 16.7m and € 10.02m. Combined, PE stakes account for € 26.0m, or 25.3% of adjusted equity value.

We estimate net cash at € 15.7m (15.3% of NAV, up from 6.2% in September), which includes the valuation of options and other items on the balance sheet.

Conclusion:

Based on yesterday's close prices, we estimate adjusted equity value p.s. at € 8.72. We note that despite a broad number of writedowns in the PE portfolio in the past and the fact that Quest has few options to create value via exits (IPO or trade sale), the stock's valuation remains very undemanding: Quest's NAV performance relative to its stock price has been strong in FY10 (+18.6%), but the discount nevertheless continues to hover around 40%. We decided to increase our TP from € 5.75 to € 6.10, leaving upside potential of 19%. Buy rating maintained.