

24 December 2010

QUEST FOR GROWTH

Capricorn VP to acquire Quest Management

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 5.38
TARGET PRICE € 6.10

BUY
RATING UNCHANGED



Source: Thomson Financial Datastream

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

Market Cap € 63.4m
Shares outst. 11.8m
Volume (daily) € 52,805
Free float 90.6%

Next corporate event

NAV update 10: 7 January 2011

(€ 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 Management, the management company of Quest for Growth will be acquired by Capricorn Venture Partners. No change to TP and/or rating.

News:

Leuven-based Capricorn Venture Partners, managing director of pan-European venture capital funds (e.g. Capricorn Cleantech Fund) aims to acquire Quest Management. Capricorn will submit an application to the CBFA to obtain a license for asset management and investment advice, and following such granting and the approval from the respective shareholders, Capricorn will acquire the activities, personnel and all other assets and liabilities of Quest Management.

The combined company will assure the continuity of the advice to and the daily management of the different funds and investment companies. Professor Haspelslagh, chairman of both companies, states that the combination will enhance the synergies between both teams and will provide sufficient financial and human resources to act as a significant hands-on investor. Investors in Quest for Growth will have access to a larger deal flow and a stronger investment team for non-quoted companies, whilst Capricorn Venture Partners can build on the successful quoted asset management activities of Quest Management.

Our View:

The deal itself has no immediate impact on Quest for Growth, as it doesn't affect the underlying NAV in any way.

Quest for Growth and Capricorn have been working quite closely together for quite some time, not only with both groups occupying the same building and sharing the same chairman, but also operationally: Quest for Growth invested € 0.95m in Capricorn Cleantech Fund (with € 1.25m of untapped commitments remaining as of end-November). But whether it will bring tangibly more and high-quality deals to Quest's table remains an open question, as it is unclear to which extent deal flow will be guided to Quest rather than to Capricorn. The press release also doesn't give an insight into the latter's "funds under management" and its track record in creating value for its investors, hence not allowing to assess the level of the "win-win situation" to which is alluded. Also, now that Quest's net asset value has breached the € 100m threshold - triggering an upward revision of the management fee - we would like to get some feel to which extent the acquisition of Quest Management will affect the (already elevated) management fee going forward.

Conclusion:

Despite the uncertainties, Quest for Growth remains a cheap stock: NAV per share stand at € 9.00 with a 40.23% discount. Even after applying a robust 32.2% discount, the upside potential amounts to 13.4%. Buy rating maintained.