

10 January 2011

## QUEST FOR GROWTH

### December NAV growth reflects € 20.5m FY10 profit

EQUITY INVESTMENT INSTRUMENTS  
BELGIUM

CURRENT PRICE € 5.39  
TARGET PRICE € 6.30

**BUY**  
RATING UNCHANGED



— Price — Rel. to index (RHS)

Source: Thomson Financial Datastream

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

Market Cap € 63.5m  
Shares outst. 11.8m  
Volume (daily) € 54,066  
Free float 90.6%

Next corporate event

Results FY10: 27 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%

Tom Simonts

+32 2 429 37 22

tom.simonts@kbcsecurities.be

#### Summary:

Quest's end-of-December NAV increased to € 8.99, the highest level since January 2008, while the stock hovered steady at € 5.31 (40.9% discount). We increase our TP from € 6.1 to € 6.3. Buy rating maintained.

#### News:

NAV at end-December to € 8.99 p.s., versus € 8.66 at end-October (+3.8% m/m, +24.0% y/y). The stock increased to € 5.31 (+0.8% m/m, +14.2% y/y), due to which the discount increased to 40.9% (end-November: 39.15%).

Quest's activity in December was buoyant as it upped stakes in INIT Innovation, Leguide.com, Nemetschek, Pharmagest Interactive, EVS, United Drug, Arcadis, Faiveley and KPN. Positions in Unit4, LEM Holding, Stratec Biomedical, Andritz and Accell Group were lowered. No new investments were done, but the stake in Corning was sold altogether. Combined, the listed portfolio at current prices totals € 62.9m and accounts for 59.7% of NAV. Listed assets break down in Software & Services (16.0%), Technology & Hardware (7.9%), Pharma & Biotech (6.2%), Healthcare Equipment (4.0%), Electrical & Engineering (16.1%) and Materials & Others (8.8%). Quest no longer has Quoted/Unquoted assets on its balance sheet.

The aggregated value of the direct Private Equity stakes remained stable in November, though Quest filled its € 0.21m commitment vs. Clear2Pay. The valuation of the 3rd Party funds was adjusted as a result of a broad array of (limited) capital calls by investment funds and due to a € 3.75m investment in Capricorn Health-Tech fund (with € 11.25 having been committed on top of that). The direct and indirect PE portfolios are valued at € 16.25m and € 13.2m resp. and total € 29.5m (28% of adjusted equity value).

We estimate net cash at € 6.22m (5.9% of NAV), which includes the valuation of options and other items on the balance sheet.

#### Our View:

While Quest for Growth's YE10 NAV increased to € 8.99, the stock price failed to follow this trend (+14.2% y/y) as it lagged the underlying NAV growth (24.0%), hence the discount increased to approx. 41%. The update reflects a 24.0% y/y surge in NAV, which in turn points to FY10 profit of around € 20.5m. This will reduce carried-over losses at YE10 to approx. € 6m. Unsurprisingly, this means Quest won't pay a dividend over FY10 results, but increases the potential that the company may be able to resume its dividend payments as from FY11 onwards.

#### Conclusion:

We estimate NAV at € 8.94 with a 39.7% discount. Growth in December NAV has been substantial on the back of overall strong equity markets, so that the stock's valuation has become more undemanding than before. We therefore decided to increase our TP from € 6.1 to € 6.25 (this implies 30% discount to NAV). The upside potential from current levels amounts to 17%.