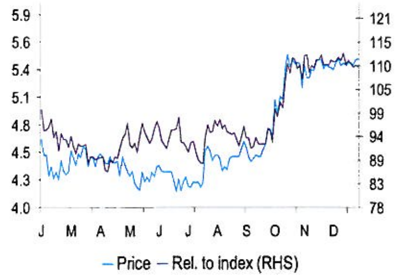
KBC Securities

28 January 2011

QUEST FOR GROWTH

FY10 profit of € 20.6m restores FY11 dividend hopes

EQUITY INVESTMENT INSTRUMENTS	CURRENT PRICE	€ 5.46	**BUY**
BELGIUM	TARGET PRICE	€ 6.30	RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 64.4m
Shares outst.	11.8m
Volume (daily)	€ 55,755
Free float	90.6%

Next corporate event

Analyst Meeting 10: 28 January 2011

(€ m)	2008	2009	2010
Net result	-48.4	18.1	20.6
Adj. net result	-48.4	18.1	20.6
Basic EPS (€)	-4.11	1.53	1.74
ROE	-41.8%	26.8%	24.1%
Adj. eq. value	9.87	7.25	8.99
Premium/disc.	14.9%	35.9%	42.9%
DPS (€)	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%

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Summary:
FY10 net result arrived at € 20.6m and reduced carried-over losses to € 6m. These figures are not a surprise, but confirm the stock's cheap valuation and hence our investment case. TP and rating maintained.

News:
FY10 profit rose slightly y/y to € 20.6m (FY09: € 18.1m) on the back of substantial capital gains on Movetis (€ 9.9m) and CoreOptics ($ 5.4m), but also due to a good performance of the listed portfolio. Note that the figure does not come as a surprise, since a 24.1% y/y increase in NAV was reported at end-FY10 (€ 8.99 p.s. vs. € 7.25 p.s. at YE09).

ROE amounted to 24.1%, which is below FY09's 26.8% figure but nevertheless substantially better than the benchmark indices with which Quest can be compared (Bloomberg New Markets 50 and the euro-denominated Nasdaq).

Quest confirmed that it won't pay out a dividend. However, the strong FY09 and FY10 results have markedly increased chances for Quest to start distributing dividends over FY10 earnings as carried-over losses dropped from € 26.6m at YE09 to € 6.0m at YE10. Note that ROE of 5.6% will wipe out all carried-over losses.

Our View:
Bulky profits in FY09 and FY10 have almost wiped out the huge FY08 loss and Quest should be applauded for the fact that this is the result of both the listed and the unlisted segment of the portfolio. But divestments have eroded the latter's substance and the recent Capricorn deal means that future additions to the Private Equity portfolio will be limited to the Technology and Software & Services part of the market. This was already visible in FY10, when only one direct deal (Anteryon, € 1.5m) was signed. Another € 15m has been committed to the Capricorn Health-tech Fund, prompting Quest to abandon its strategy of pursuing and landing direct Life Sciences deals.

Conclusion:
Remarkably, the 24% increase in NAV didn't succeed in taking the stock in tow: the latter's increase was sluggish ay best as it reported a "mere" 14% hike, thereby pushing the discount to NAV throughout FY10 to levels over 40%. Despite we see a number of arguments that make an implied discount of 25% to 30% levels defendable, current 40%-something levels are certainly not. We currently estimate NAV at € 8.96 per share (39% discount) and very clearly reiterate our Buy rating as we see upside potential of 15.4%. Note that our TP is conservative as it implies a 30% discount to NAV; any increase in stock market levels should therefore filter through rather quickly NAV and further support our SOTP model and investment case.