

29 April 2011

QUEST FOR GROWTH

1Q11 income positive at € 0.9m

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 6.09
TARGET PRICE € 6.70

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

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

Market Cap € 71.8m
Shares outst. 11.8m
Volume (daily) € 80,909
Free float 90.6%

Next corporate event

(€ 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:

1Q11 produced a € 0.9m loss. This reduced carried-over losses, though not enough to start hoping for a FY11 dividend. TP increased from € 6.3 to € 6.7.

News:

QfG's 1Q11 net result came in at € 0.9m (€ 0.07 p.s.), vs. a profit of € 2.1 million (€ 0.18 p.s.) in 1Q10. The result is entirely related to the quoted portfolio and marks the 3rd consecutive quarterly period that was written in black. Quest's monthly NAV updates had already unveiled that equity p.s. at end-1Q11 climbed to € 9.06 p.s., versus € 8.99 at YE10 (+0.8% ytd), while the stock increased to € 5.95 (+12.1% ytd). As a result of the rising stock price, the discount narrowed to 34.3% (versus 40.9% at YE10). The 0.8% YTD rise of NAV compares with a 1.4% drop of the (euro-denominated) Nasdaq index and a 8.3% increase of the New Market 50 index.

Overall, 1Q11 brought little excitement for QfG's direct Private Equity portfolio. The 1Q11 report, however, did flag a new and direct € 1.06m investment in Ducatt NV (which is also a new Capricorn Cleantech Fund investment). Ducatt's a spin out of Emgo NV (a 50/50 joint venture between Osram and Philips Lighting) that aims to convert the existing production line for light bulbs into a manufacturing unit for high-quality glass for the photovoltaic industry.

Despite an increase in NAV, which reduced Quest's € 1.5m annual management fee to 1.41% of NAV (below 1.5%), Quest Management decided to keep the fee unchanged despite it had the option to increase the fee. We very much welcome this decision. Note also that The Global Cost Ratio (all costs carried by QfG versus NAV) will be kept below 3.5 %.

Our View:

The 1Q11 profit confirms an earlier reported increase in monthly NAV. Having closed yet another quarter in the black, the amount of carried-over losses on Quest's balance sheet now amounts to € 5.12m, so that at this point of stage a FY11 dividend payment is not within reach. This will depend entirely on Quest' capacity to generate at least € 6.0m in profits in the remainder of FY11, which going by the fact that a number of the biggest directly-held Private Equity assets have already been monetized in FY10 could prove difficult.

Conclusion:

We currently estimate NAV at € 9.25 per share. In order to align our TP with an implied 30% discount, we increase our TP from € 6.3 to € 6.7. Accumulate rating maintained as the upside potential amounts to 10%.