

30 June 2011

QUEST FOR GROWTH

Cancellation of own shares flanks Prosonix funding

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 5.77
TARGET PRICE € 6.70

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg QFG BB
Reuters QUFG.BR

www.questforgrowth.com

Market Cap € 68.0m
Shares outst. 11.8m
Volume (daily) € 76,319
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:

Quest decided to cancel all treasury shares and joined a £ 11.4m funding round at Prosonix. No impact on TP and/or rating.

News:

After Quest's shareholders on the 17 March 2011 EGM already authorized the Board of Directors to cancel the own shares the company repurchased over the past years (259,305), such a decision has been effectively taken on 26 April 2011. Hence, all 259,305 treasury shares (and the corresponding non-distributable reserves amounting to € 1,594,725.25) have been annulled. As from 29 June 2011, Quest's outstanding capital amounts to € 109.75m divided over a total 11,529,950 outstanding shares, of which 11,528,950 ordinary shares, 750 A-shares and 250 B-shares. The total number of voting rights amounts to 11,529,950.

We also learned that Prosonix has secured fresh funding for the development to move its pipeline of proprietary mono and multi-component combination respiratory therapies through clinical development. The UK-based drug developer and particle engineering firm has raised £ 11.4m (€ 12.7) in a financing round that saw Ventech and Gilde Healthcare Partners join existing investors like the Entrepreneurs Fund, Solon Ventures and Quest for Growth. We await adjusting our SOTP model to reflect the follow-up investment; meanwhile, Prosonix accounts for 1.16% of Quest's NAV.

Our View:

The cancellation of own shares does not impact our SOTP, as we already accounted for such a decision upon the first confirmation by management.

Conclusion:

We remind that we upgraded our rating on Quest to Buy from Accumulate last week, while confirming our € 6.7 TP. This decision reflected the stock's recent drop, which we believe wasn't warranted by a decline of the portfolio's underlying asset value. Despite Quest's stock price soared since the beginning of 2011 in a clear outperformance vis-à-vis major international indices and Quest's direct benchmarks, the current stock price is still far from what we believe to be defensible.

Clearly, the stock's limited liquidity and absence of short-term triggers do not work in favour of the market valuation, but based on yesterday's close we estimate adjusted equity value p.s. at € 9.13 (€ 105.3m). The corresponding discount amounts to a stunning 36.8%. Our TP implies a 26.6% discount to this NAV level and leaves 16.1% upside. We recently promoted Quest for Growth to our Top Pick list of our Holding and Investment Companies coverage scope, flanking Ackermans, Kardan and RHJ International.