

8 August 2011

QUEST FOR GROWTH

July NAV dropped as markets started tanking

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 5.10
TARGET PRICE € 6.70

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

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

Market Cap € 60.1m
Shares outst. 11.8m
Volume (daily) € 67,144
Free float 90.6%

Next corporate event

NAV update 11: 2 September 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:

Quest's end-of-July NAV declined to € 8.91 p.s., while the stock dropped to € 5.55 (37.7% discount). Based on Friday's closing prices, we stick to our Buy rating and € 6.7 TP.

News:

NAV at end-June moved down a notch to € 8.91 p.s., versus € 9.22 at end-June (-3.4% m/m, -0.9% YTD). The stock moved lower as well and ended the month at € 5.55 (-4.6% m/m, 4.5% YTD), due to which the discount increased very lightly to 37.7% (end-December 2010: 40.93%).

Quest's activity in the listed portfolio segment in April resulted in the adjustment of a broad number of the portfolio's constituents. The company upped stakes in Docdata, Econocom, Pharmagest Interactive and EVS, while stakes in Nemetschek, LEM Holding, Ablynx, United Drug and SMA Solar were lowered. Quest added Schaltbau Holding as a new investment in the "Electrical &" segment, while removing Pfeiffer Vacuum Technology and KPN. Combined, the listed portfolio at current prices totals € 53.9m and accounts for 56.1% of NAV. Listed assets break down in Software & Services (16.7%), Technology & Hardware (9.4%), Pharma & Biotech (5.4%), Healthcare Equipment (3.1%), Electrical & Engineering (13.1%) and Materials & Others (7.5%).

The aggregated value of the direct Private Equity stakes moved barely vis-à-vis the end-of-June NAV update as none of the valuations of a Quest's 3rd party investment funds was altered. We did add Ducatt and Epigan to the portfolio, for a respective € 0.94m and € 0.13m reflecting recent co-investments. The direct and indirect PE portfolios are valued at a respective € 18.1m and € 14.1 m. Combined, they account for € 32.2m, or 33.4% of adjusted equity value.

We estimate net cash at € 7.5m (7.7% of NAV), which includes the valuation of options and other items on the balance sheet.

Our View:

Despite last week's sell-off in the markets, Quest's stock price still hovers 4.5% above its YE10 level, which is a clear outperformance vis-à-vis major international indices and Quest's direct benchmarks. But NAV did nevertheless not escape unharmed, as it dropped to an estimated € 8.35 per share last Friday. As NAV is implicitly bound to the evolution of stock market valuations, forecasting to which extent further weakness in the market will affect NAV is impossible.

Conclusion:

Based on Friday's close, we estimate adjusted equity value p.s. at € 8.35 (€ 96.3m) and note that the discount hovers around 38.1%.