

5 December 2011

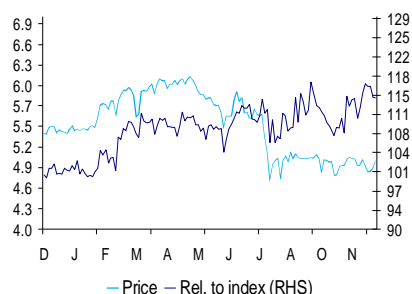
QUEST FOR GROWTH

Doubles provisions to 16% of direct PE portfolio

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE €5.00
TARGET PRICE €6.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€58.9m
Shares outst.	11.8m
Volume (daily)	€43,378
Free float	90.6%

Next corporate event

NAV update 11: 4 January 2012

(€ 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:

End-of-November NAV decreased a sharper-than-expected 3.3% to €7.82 p.s, driven by an increase of provisions related to potential impairments in the direct Private Equity portfolio. Disappointing, but rating and/or TP unchanged.

News:

NAV decreased to €7.82 p.s., versus €8.09 at end-October (-3.3% m/m, -1.0% YTD). The stock didn't move and ended the month at €4.99 (0.0% m/m, -6.0% YTD), due to which the discount decreased to 36.2% (end-December 2010: 40.93%).

Quest's activity in the listed portfolio segment was fairly buoyant with changes once again mainly situated in the Electrical & Engineering segment. Stakes were upped in EVS, Andritz, Kendrion and Imtech, while stakes in INIT Innovation, Unit4, Mobotix, Faiveley and SMA Solar were lowered. Quest fully disposed of its participations in Ablynx and Wacker Chemie and added Gerresheimer as a new investment to the ranks. Combined, the listed portfolio at current prices totals €47.2m and accounts for 53% of NAV. Listed assets break down in Software & Services (17.0%), Technology & Hardware (6.8%), Pharma & Biotech (1.4%), Healthcare Equipment (5.0%), Semiconductors (2.1%), Electrical & Engineering (14.8%) and Materials & Others (4.7%). Quoted/unquoted assets (Sphere Medical) weights 0.9%.

The aggregated value of the direct Private Equity stakes remained unchanged vis-à-vis end-of-October: invested capital into various 3rd party investment funds fluctuated as a result of quarterly revaluations and a limited amount of called-up capital, while Sphere Medical following its IPO on AIM moved to the listed portfolio's 'Health Care Equipment' segment. The big (negative) surprise was the deepening of a €1.4m provision relating to potential future impairments (announced in October 2011) to €3.0m (16% of direct PE portfolio and 9% of total PE investments). This is clearly disappointing as we had expected the first round of provisions to have been adequate; the impact of a difficult funding environment is clearly worsening. The direct and indirect PE portfolios are valued at €18.3m and €14.2 m and account for €32.6m (35.4% of NAV).

We estimate net cash at €2.2m (2.5% of NAV), which includes the valuation of options and other items on the balance sheet as well as €3.0m of the said provisions. Commitments total €15.7m.

Our View:

Despite the persistently volatile and depressed character of equity markets, Quest's stock price decreased 6% YTD basis in a clear outperformance vis-à-vis major international indices and Quest's direct benchmarks. But we're disappointed by the fresh bout of impairments, especially since there were already few to no triggers for unlocking value out of the now undeniably poor-quality PE portfolio. Though this limits the stock's potential to gnaw off part of the 35%+ discount, we stick to our Accumulate rating and €6 TP.