

8 June 2012

QUEST FOR GROWTH

May NAV stable at € 8.48; frown-provoking discount

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 4.69
TARGET PRICE € 6.00

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg QFG BB
Reuters QUFG.BR

www.questforgrowth.com

Market Cap € 55.3m
Shares outst. 11.8m
Volume (daily) € 36,210
Free float 90.6%

Next corporate event

Results 1H12: 26 July 2012

(€ m)	2009	2010	2011
Net result	18.1	20.6	-13.3
Adj. net result	18.1	20.6	-13.3
Basic EPS (€)	1.53	1.74	-1.15
ROE	26.8%	24.1%	-12.6%
Adj. eq. value	7.25	8.99	7.88
Premium/disc.	35.9%	42.9%	39.7%
DPS (€)	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%

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Summary:

End-of-May NAV p.s. hovered steady at € 8.48 vs. a € 8.53 end-of-April reading. The listed portfolio reduced its exposure to the Software & Services segment and upped the ante in the Electrical & Engineering segment, while the valuation of unlisted TCLand was upped by € 1.2m due to a bond conversion and a fresh funding round. The stock price's drop meanwhile propelled the discount level to a frown-provoking 45%. Buy.

News:

May NAV decreased very lightly to € 8.48 p.s., versus € 8.53 at end-March (-0.6% m/m, +7.3% YTD). The stock dropped as well and ended the month at € 4.70 (-4.1% m/m, -1.1% YTD), due to which the discount continued its ascent to 44.6% (end-April 2012: 42.56%; YE11: 39.9%).

- Quest's activity in the listed portfolio was again focussed on the segments Software & Services and Electrical & Engineering. Stakes were upped in EVS, Nexus, Kendrion, Imtech, Saft Groupe and Melexis, while stakes in DocData, Leguide.com, INIT Innovation and Unit4 were lowered. Quest added SAP to the ranks and fully disposed of Pharmagest Interactive and Stratec Biomedical. Combined, the listed portfolio at current prices totals € 52.22m and accounts for 55% of NAV. Listed assets break down in Software & Services (16.1%), Technology & Hardware (5.7%), Pharma & Biotech (1.1%), Healthcare Equip (8.2%), Semiconductors (1.8%), Electrical & Engineering (17.7%) and Materials & Others (3.3%). Quoted/unquoted (Sphere Medical) weighs 1%.
- The aggregated value of the direct Private Equity investments (€ 18.4m, excl. provisions) increased a tad vis-à-vis end-of-April levels, as Quest converted a € 0.5m bond and subscribed to a fresh funding round at TCLand. Hence, May produced no valuation changes nor adjustments to € 3.28m of provisions that have been made to cover potential losses (related to funding rounds of as of yet unnamed dossiers). Capital invested into various 3rd party investment funds (€ 10.9m) rose marginally due to USD/EUR-related adjustments. No capital calls were made. The value of the fund and investments related to Capricorn was stable at (€ 5.55m), as this is revised on a quarterly basis only. Combined, PE investments are carried at a € 34.8m (37% of NAV).
- We estimate net cash at € 8.14 m (8.6% of NAV), which includes the valuation of options and other items as well as € 3.28m of the said provisions. Commitments total € 17.6m (51% of the PE portfolio).

Our View:

Both Quest's stock and NAV continue to outperform European equity markets (DJ EuroStoxx50: -9.2%) on a YTD-basis, but the valuation remains very undemanding nevertheless; the current 45% discount (based on NAV p.s. of € 8.28) is substantial and excessively high against the historical average (9-year average: 29.9%). Even after implying a 28% discount, the stock has 28% upside potential versus our € 6.0 TP. Items that hold back the stock are the lack of dividend visibility and few triggers to unlock value (IPO, trade sale). We stick to our € 6 TP and reiterate our Buy rating.