

5 July 2012

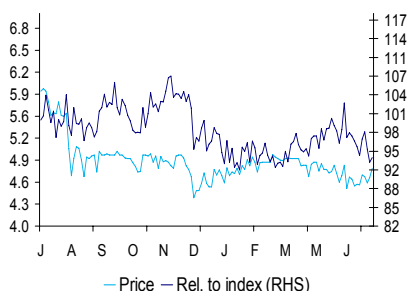
Quest for Growth

June NAV of € 8.40 implies 1H12 profit of € 5.7m

Equity Investment Instruments
Belgium

Current price € 4.80
Target price € 6.00

Buy
Rating Unchanged



Source: Thomson Financial Datastream

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

Market Cap € 56.6m
Shares outst. 11.8m
Volume (daily) € 36,043
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:

Quest's end-of-June NAV declined marginally to € 8.40 p.s., while its stock moved sideways to € 4.68 (44.3% discount !!). Awaiting full results on 26 July 2012, the NAV update implies 1H12 profit of € 5.7m (2Q12: - € 0.5m). The update confirms both our SOTP model and our investment case, allowing reiterating our Buy rating and € 6.0 TP (implied disc.: 29%, upside pot.: 25%).

News:

NAV at end-June moved down a notch to € 8.40 p.s., versus € 8.48 at end-May (-0.9% m/m, 6.3% YTD). The stock barely moved and ended the month at € 4.68 (-0.4% m/m, -1.5% YTD), due to which the discount decreased very lightly to 44.3% (end-December 2010: 39.9%).

- Quest's activity in the listed portfolio segment in April was vibrant, resulting in the adjustment of a broad number of the portfolio's constituents. The company upped stakes in Econocom, INIT Innovation, SAP, EVS, Nexus, Imtech, Schaltbau Holding, Melexis and Umicore, while stakes in Nemetschek, Andritz and Arcadis were lowered. Quest disposed of all its shares in Docdata and Leguide.com. Combined, the listed portfolio at current prices totals € 52.4m and accounts for 54% of NAV. Listed assets break down in Software & Services (14.2%), Technology & Hardware (6.1%), Pharma & Biotech (1.1%), Healthcare Equipment (9.4%), Electrical & Engineering (17.6%) and Materials & Others (3.13%). Quoted/unquoted (Sphere Medical) weighs 1%.
- The aggregated value of the direct Private Equity investments (€ 18.6m, excl. provisions) increased a tad vis-à-vis end-of-April levels, as a € 0.2m investment in AC Capital was added and the valuation of Prosonix moved up a tad as well. But, in all, June produced no substantial 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 (€ 11.2m) rose marginally due mainly to FX-related adjustments as 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. All PE assets are carried at € 35.4m (37% of NAV).
- We estimate net cash at € 9.05m (9.3% of NAV), which includes the valuation of options and other items as well as € 3.28m of the said provisions. Commitments total € 17.6m (50% of the PE portfolio).

Conclusion:

Both Quest's stock and NAV continue to outperform European equity markets (DJ EuroStoxx50: -4.45%) on a YTD-basis, but the stock's valuation remains very undemanding nevertheless; the current 43% discount (based on NAV p.s. of € 8.40) is substantial and excessively high against the historical average (9-year avg: 29.9%). Even after implying a 29% discount, the stock has 25% upside potential (vs € 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.

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SOTP MODEL – BASED ON CLOSING PRICES OF 4 JULY 2012

Description	Sector/market	BB	Shares held	Recent change	Last price	Cmncy	% of NAV	Valuation (€m)
Quoted companies							14.16%	13.71
ECONOCOM	Euronext Brussels	ECONB BB	196,763	21,500	17.2	€	3.49%	3.37
INIT	Deutsche Börse	IXX GY	105,200	5,200	18.2	€	1.97%	1.91
NEMETSCHKE	Deutsche Börse	NEM GR	125,000	-5,000	29.4	€	3.79%	3.67
SAP	Deutsche Börse	SAP GR	42,500	2,500	47.6	€	2.09%	2.02
TRANSICS	Euronext Brussels	TRAN BB	250,000	0	7.3	€	1.87%	1.81
UNIT4	Euronext Amsterdam	UNIT4 NA	45,330	0	20.3	€	0.95%	0.92
Technology Hardware							6.05%	5.85
EVS BROADCAST	Euronext Brussels	EVS BB	100,000	8,000	38.6	€	3.98%	3.86
LEM HOLDING	Zwitsersland	LEHN SW	4,869	0	493.0	CHF	2.06%	2.00
Pharma & Biotech							1.98%	1.92
TEVA PHARMACEUTICAL	Nasdaq	TEVA US	60,000	0	40.1	USD	1.98%	1.92
Health Care Equipmen							9.39%	9.09
GERRESHEIMER	Deutsche Börse	GXI GR	53,500	3,500	38.1	€	2.11%	2.04
NEXUS	Deutsche Börse		195,000	7,500	7.8	€	1.56%	1.51
PHARMAGEST INTERACTIVE	Euronext Paris		40,000	0	45.5	€	1.88%	1.82
SPHERE MEDICAL HOLDING	AIM		930,031	0	0.7	£	0.88%	0.85
UNITED DRUG	Dublin		1,391,786	0	2.1	€	2.96%	2.87
Electrical & Engineering							17.61%	17.05
ANDRITZ	Vienna		100,000	-7,500	41.7	€	4.31%	4.17
ARCADIS	Euronext Amsterdam		210,000	-15,000	17.6	€	3.81%	3.69
FAIVELEY	Euronext Paris		27,500	0	43.1	€	1.22%	1.19
IMTECH	Euronext Amsterdam	IM NA	194,666	7,500	19.4	€	3.89%	3.77
KENDRION	Euronext Amsterdam	KENDR NA	112,128	0	17.5	€	2.02%	1.96
SAFT GROUPE	Euronext Paris	SAFT FP	50,000	0	18.7	€	0.96%	0.93
SCHALTBAU HOLDING	Deutsche Börse		16,600		81.2	€	1.39%	1.35
Semiconductors							1.80%	1.74
MELEXIS	Euronext Brussels	MELE BB	145,133	7,500	12.0	€	1.80%	1.74
Materials							3.13%	3.03
UMICORE	Euronext Brussels		82,500	2,500	36.7	€	3.13%	3.03
Other sectors							0.00%	0.00
Direct Private Equity Investments			Asset type	Invested	Committed		19.23%	18.62
ANTERYON	Semiconductors	equity	1.50		€	1.55%	1.50	
	Software & Services	equity	0.63		€	0.65%	0.63	
CLEAR2PAY	Software & Services	equity	5.57		€	5.75%	5.57	
IDEA	Pharma & Biotech	equity	0.16		€	0.17%	0.16	
KIADIS	Pharma & Biotech	equity	2.37		€	2.45%	2.37	
MAGWELL	Software & Services	equity	0.43		€	0.44%	0.43	
PROSONIX	Pharma & Biotech	equity	2.70		£	2.79%	2.70	
SYNTAXIN	Pharma & Biotech	equity	2.49		£	2.57%	2.49	
TCLAND	Pharma & Biotech	equity	2.76		€	2.86%	2.76	
Capricorn Private Equity Funds & I			5.55	13.30		5.78%	5.55	
CAPRICORN CLEANTECH FUND	Funds & Div. Cpies	equity	1.16	0.55	€	1.21%	1.16	
CAPRICORN HEALTH-TECH FUNI	Funds & Div. Cpies	equity	3.32	11.25	€	3.46%	3.32	
CAPRICORN CLEANTECH CO-INV	Technology hardware	equity	1.07	1.50	€	1.12%	1.07	
3rd Party Private Equity Funds			11.20	4.31	€	11.57%	11.20	
Portfolio							90.65%	87.76
Net cash (incl. others & options)							9.35%	9.05
Adjusted equity value							100.00%	96.81
Number of shares (outstanding)								11,529,950
Treasury shares (for remuneration purposes, resale, collateral,...)							0.00%	0
Treasury shares (available for cancellation)							0.00%	0
Number of shares (for per share calculation)								11,529,950
Quest for Growth last price								4.80
Adjusted equity value p.s.								8.40
Current discount								42.83%
Target prices								-
Target equity value								96.81
Target equity value p.s.								8.40
Discount to target equity value								42.83%
KBCS has a BUY recommendation and a € 6 target price.								
The upside potential versus a stock price of € 4.8 equals 25%.								
The implied discount of our € 6 target price vs. the target equity value is 28.54%.								

Source: KBC Securities

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FINANCIAL DATA

Income statement (€ m)	2008	2009	2010	2011
Sales & operating income	0.0	0.0	0.0	0.0
Result from operating activities	0.0	0.0	0.0	0.0
Result from financing activities	0.0	0.0	0.0	0.0
Result from extraordinary activities	0.0	0.0	0.0	0.0
Share of result from associates	0.0	0.0	0.0	0.0
Income taxes	0.0	0.0	0.0	0.0
Discontinued activities	0.0	0.0	1.0	2.0
Minorities	0.0	0.0	1.0	2.0
Net result	-48.4	18.1	20.6	-13.3
Adj. net result	-48.4	18.1	20.6	-13.3
Balance sheet (€ m)	2008	2009	2010	2011
Intangible assets & goodwill	0.0	0.0	0.0	0.0
Tangible assets	0.0	0.0	0.0	0.0
Participations acc. for under equity method	0.0	0.0	0.0	0.0
Other financial assets	0.0	0.0	0.0	0.0
Cash & cash equivalents	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0
Total assets	67.7	85.6	106.1	91.2
Equity attributable to holders of the parent	67.4	85.4	106.0	91.1
Minorities	0.0	0.0	0.0	0.0
Financial debt	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0
Total liabilities	67.7	85.6	106.1	91.2
Net debt	0.0	0.0	0.0	0.0
Cash flow statement (€ m)	2008	2009	2010	2011
Cash flow from operating activities	0.0	0.0	0.0	0.0
Cash flow from investing activities	0.0	0.0	0.0	0.0
Dividends paid (consolidated)	0.0	0.0	0.0	0.0
Other cash flow from financing	0.0	0.0	0.0	0.0
Fx and changes to the consolidation scope	0.0	0.0	0.0	0.0
Change in cash & cash equivalents	0.0	0.0	0.0	0.0
Per share data (€)	2008	2009	2010	2011
Year-end share price (€)	3.15	4.65	5.31	4.75
Year-end market cap (€ m)	37.1	54.8	62.6	56.0
weighted average # shares	11,789,255	11,789,255	11,789,255	11,529,950
weighted average # shares, diluted	11,789,255	11,789,255	11,789,255	11,529,950
Basic EPS (€)	-4.11	1.53	1.74	-1.15
Diluted EPS (€)	-4.11	1.53	1.74	-1.15
NBV (€)	5.7	7.2	9.0	7.7
Adj. eq. value	9.9	7.3	9.0	7.9
Premium/disc.	14.89%	35.86%	42.94%	39.72%
DPS (€)	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%
Ratios	2008	2009	2010	2011
ROE	-41.81%	26.83%	24.07%	-12.56%
Total return	-61.9%	47.6%	14.2%	-10.5%
Pay-out ratio (adjusted net result)	0.0%	0.0%	0.0%	0.0%
P/E	-	3.03	3.04	-
P/NBV	0.55	0.64	0.59	0.61
Statutory data	2008	2009	2010	2011
Result from operating activities	-48.6	16.9	19.4	-15.2
Result from financing activities	0.2	1.2	1.2	1.9
Result from extraordinary activities	0.0	0.0	0.0	0.0
Income taxes	0.0	0.0	0.0	0.0
Profit/loss before tax	-48.4	18.1	20.6	-13.3
Dividend paid (statutory)	0.0	0.0	0.0	0.0
Financial assets	67.1	85.1	104.9	90.0
Other assets	0.6	0.5	0.3	1.2
Total assets	67.7	85.6	107.1	93.2
Capital and reserves	67.4	85.4	106.0	91.1
Provisions and deferred taxation	0.0	0.0	1.0	2.0
Liabilities	0.3	0.1	0.1	0.1
Total assets	67.7	85.6	107.1	93.2

Source: KBC Securities

*Historic valuation data are based on historic prices

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	Definition
BUY	Expected total return (including dividends) of 10% or more over a 6-month period
ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period
REDUCE	Expected total return (including dividends) between -15% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

Due to external factors and in exceptional cases, KBC Securities allows the use of ratings such as Accept the Offer, Black Out, No Recommendation or Suspended.

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Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	24.80%	33.33%
ACCUMULATE	43.20%	66.67%
HOLD	28.80%	0.00%
REDUCE	1.60%	0.00%
SELL	1.60%	0.00%

Quest for Growth is a Belgian investment company focused on listed and unlisted growth companies with the objective of converting capital gains into tax-free income through the Privak-structure.

The price target for Quest for Growth is based on following parameters: Estimated Equity Value (NAV)

The risks which may impede the achievement of our price target are: high correlation with technology markets and sensitive to stock market fluctuations, no recurring profit, need to successfully exit unlisted investments, growth is hampered by regularity payout of realised capital gains

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
27-JAN-12	Buy	€ 6.00
06-OCT-11	Accumulate	€ 6.00

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