

27 July 2012

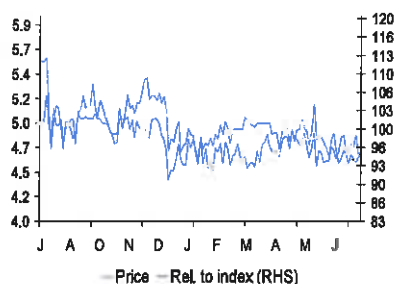
QUEST FOR GROWTH

€ 5.7m profit in 1H12 locks in 6.3% ROE

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 4.90
TARGET PRICE € 6.00

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg QFG BB
Reuters QUFG.BR

www.questforgrowth.com

Market Cap € 57.8m
Shares outst. 11.8m
Volume (daily) € 36,649
Free float 90.6%

Next corporate event

Analyst Meeting 12: 27 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:

1H12 profit came in at € 5.7m (+30% y/y), boosting NAV by 6.3% on a YTD basis (vs. 1.99% for the Euro Stoxx 50 index) and reducing carried-over losses to € 13.55m (€ 19.30m at YE11). We stick to our € 6.0 TP (implied discount: 29%) and Buy rating (upside potential: 22.5%).

News:

The € 5.75m 1H12 income (€ 0.50 p.s) was entirely generated in 1Q12 (€ 6.20m) as 2Q12 produced a € 0.5m loss. Corresponding ROE (since YE11) arrived at 6.3% (non-annualised), which compares to a 12.6% drop in FY11 and a positive 24.1% in FY10. Equity per share at end-1H12 climbed to € 8.4, versus € 7.90 at YE11 (+6.4% YTD), while the stock dropped slightly to € 4.68 (-1.5% YTD) versus € 4.75 at YE11. The discount in the period consequently increased from 39.9% to 44.3%. The positive result is explained entirely by the performance Quest's listed portfolio. The Private Equity portfolio didn't change face, though Quest invested additional money in Actice Cricle (AC Land) and TCLand (equity and conversion of bonds). Quest confirmed that in 2Q12 the new management agreement between Quest for Growth and Capricorn Venture Partners came into force, the details of which were reported earlier. Under the new agreement, the management fee is slated to gradually decrease, while compensation of the fee will be given each time QfG invests in venture capital funds managed by Capricorn.

Our View:

Nor the quarterly profit nor the NAV figure came as a surprise as both had already been made public via the company's monthly updates. The publication's main takeaway is that the listed segment has again successfully coped with fairly weak equity markets in 1H12. In the Private Segment, none of the € 3.28m of provisions that have been allocated to cover potential losses (related to funding rounds of as of yet unnamed dossiers) were coupled with specific Private Equity dossiers, making the Private Equity portfolio's underlying quality difficult-to-assess. As to the stock performance, we cannot but note that contrary to Quest's NAV stability, the corresponding discount continues to fail to decrease to a more acceptable 25%/30% range. The discount in 1H12 averaged 42.77% and moved to its year-high level of by end-of-June, despite NAV fared much better than benchmark indices (TecDAX, DJ STOxx Small 200 or even DJH Stoxx 600). For the discount to structurally narrow, we believe Quest must first be able to resume dividend payments, which we believe will be the case no sooner than in FY14 as 1H12 carried-over losses of € 13.5m are very unlikely to be wiped out in 2H12.

Conclusion:

We currently estimate NAV p.s. at € 8.42 with a 41.8% discount. This level is high, going by comparable companies' valuations, the transparency of its listed investment portfolio, the lack of debt on its balance sheet and its ability to defend its equity base with success. Going forward, Quest unfortunately has but a few options to create value via exits (IPO or trade sale) in the near- and medium term. We see upside potential from current trading levels of approx. 22.5%, despite our TP implies a 29% discount to NAV.