

10 September 2012

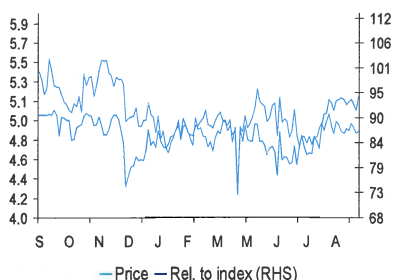
QUEST FOR GROWTH

August brings higher NAV, despite extra provisions

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 5.25
TARGET PRICE € 6.00

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 61.9m
Shares outst.	11.8m
Volume (daily)	€ 38,764
Free float	90.6%

Next corporate event

NAV update 12: 5 October 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%

Tom Simonts

+32 2 429 37 22

tom.simonts@kbcsecurities.be

Summary:

Quest's end-of-August NAV increased a tad to € 8.66 p.s., while its stock inched up a notch to € 5.10 (41.1% discount). The main takeaway is another increase (€ 0.41m) of the provisions, but apart from that the update confirms both our SOTP model. We reiterate our Buy rating and € 6.0 TP.

News:

NAV at end-August moved up to € 8.66 p.s., versus € 8.49 at end-July (+2.0% m/m, +9.6% YTD). The stock followed suit and ended the month at € 5.10 (+1.4% m/m, +7.4% YTD), due to which the discount hovered steady at 41.1% (end-July 2012: 40.75%).

- Quest's activity in the listed portfolio segment in August centred in on the Medical Equipment & Engineering segment. The company upped stakes in LPKF Laser & Electronics, Arcadis, Andritz, Melexis and Umicore, while stakes in Sphere Medical, United Drug and Kendrion were lowered. Quest disposed of all its shares in Unit4 and didn't add new investments to the ranks. Combined, the listed portfolio at current prices totals € 55.4m and accounts for 55% of NAV. Listed assets break down in Software & Services (13.7%), Technology & Hardware (6.1%), Pharma & Biotech (1.1%), Healthcare Equipment (10.7%), Semiconductors (2.0%), Electrical & Engineering (17.7%) and Materials & Others (3.2%). Quoted/unquoted (Sphere Medical) weighs 0.8%.
- The aggregated value of the direct Private Equity investments (€ 18.6m, excl. provisions) remained level with end-of-July, despite August produced an additional € 0.41m provision to cover potential losses (related to funding rounds of as of yet unnamed dossiers). As such, the total amount of provisions increased to € 3.69m (3.6% of NAV). Capital invested into various 3rd party investment funds (€ 11.5m) rose marginally due mainly to using 1H12 valuations levels instead 1Q12 levels. Few to no capital calls were made and the value of the fund and investments related to Capricorn was stable at (€ 5.5m). All PE assets are carried at € 35.6m (35.7% of NAV).
- We estimate net cash at € 8.8m (8.8% of NAV), which includes the valuation of options and other items as well as € 3.69m of the said provisions. Commitments total € 17.0m (47.6% of all PE investments).

Conclusion:

Both Quest's stock (+7.4%) and NAV (+9.6%) continue to at least perform in line with European equity markets (DJ EuroStoxx50: +7.1%) on a YTD-basis, but the stock's valuation remains very undemanding nevertheless; the current 39.4% discount (based on NAV p.s. of € 8.66) remains substantial when compares to its historical average (9-year avg: 29.9%). After implying a 30% discount, the stock has 15% upside potential (vs € 6.0 TP). Items that hold back the stock are the lack of dividend visibility and few triggers to unlock value (such as an IPO or trade sales). We stick to our € 6 TP and reiterate our Buy rating.