

7 January 2013

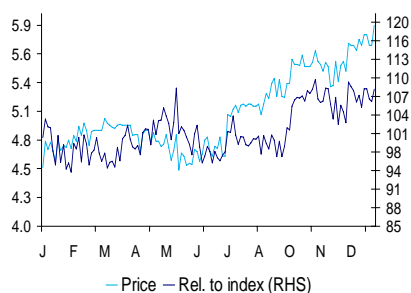
Quest for Growth

End-of-December NAV heads higher

Equity Investment Instruments
Belgium

Current price €5.94
Target price €6.40

Buy
Rating Unchanged



Source: Thomson Financial Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€70.0m
Shares outst.	11.8m
Volume (daily)	€44,795
Free float	90.6%

Next corporate event

Results FY12: 24 January 2013

(€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-December NAV increased from €9.09 to €9.26 p.s., while its stock followed suit with an increase from €5.55 to €5.70 (38.4% discount). No new investments or divestments were made apart from upping and lowering stakes in several stocks. We reiterate our Buy rating and maintain our TP.

News:

NAV at end-December moved up to € 9.26 p.s., versus € 9.09 at end-November. The stock followed suit and ended the month at €5.70 (2.7% m/m), due to which the discount decreased to 38.44% (end-November 2012: 38.44%).

- Quest showed activity in December across all its sectors/markets. The company upped stakes in Init Innovation, Melexis and Centrotec while stakes in SAP, United Drug, Andritz, Faiveley and Umicore were lowered. Combined, the listed portfolio at current prices totals €64.83m and accounts for 58.7% of NAV. Listed assets break down in Software & Services (11.94%), Technology & Hardware (9.54%), Pharma & Biotech (1.58%), Healthcare Equipment (12.05%), Semiconductors (2.4%), Electrical & Engineering (18.01%) and Materials & Others (3.21%).
- We also took notice of the fact that Quest took over the 13.5% stake in 4Energy from KBC Privat Equity. This strikes us as rather odd as 4Energy has been in rough waters lately. We lack financial details on this deal.
- The aggregated value of the direct Private Equity investments (€21.19m, excl. provisions) rose marginally compared to end-of-November. The total amount of provisions decreased from €4.45m to €2.85m (2.6% of NAV). Capital invested into various 3rd party investment funds totalled €10.2. All PE assets are carried at €38.4m (37.2% of NAV).
- We estimate net cash at € 7.12m (2% of NAV), which includes the valuation of options and other items as well as €2.85m of the said provisions. Commitments total €18.19m (47% of all PE investments).

Conclusion:

Both Quest's stock (+20.0%) and NAV (+17.2%) outperformed European equity markets (DJ EuroStoxx50: +10.9%) on a YTD-basis, but the stock's valuation remains very undemanding nevertheless; the current 38.4% discount (based on NAV p.s. of €9.26) remains substantial when compared to its historical average (9-year avg: 29.9%). We maintain our Buy rating and €6.4 TP. This leaves 7.74% upside potential. 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).

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SOTP MODEL – BASED ON CLOSING PRICES OF 4 JANUARY 2013

Description	Sector/market	BB	Shares held	Recent change	Last price	Crncy	% of NAV	Valuation (€m)
Quoted companies							11.84%	13.06
Software & Services								
ECONOCOM	Euronext Brussels	ECON BB	787,260	0	5.6	€	3.96%	4.37
INIT	Deutsche Börse	IXX GY	114,000	4,000	24.6	€	2.54%	2.80
NEMETSCHKE	Deutsche Börse	NEM GR	113,000	0	33.0	€	3.38%	3.73
SAP	Deutsche Börse	SAP GR	35,000	-2,500	61.6	€	1.95%	2.16
Technology Hardware							9.56%	10.55
EVS BROADCAST	Euronext Brussels	EVS BB	102,000	0	45.0	€	4.16%	4.59
LEM HOLDING	Zwitzerland	LEHN SW	4,869	0	520.0	CHF	1.90%	2.09
LPKF LASER & ELECTRONICS	Deutsche Börse	LPK GR	110,000	0	16.5	€	1.65%	1.82
TOMRA SYSTEMS	Oslo Stock Exchange	TOM NO	300,000	0	49.9	NOK	1.85%	2.05
Pharma & Biotech								
TEVA PHARMACEUTICAL	Nasdaq	TEVA US	60,000	0	38.0	USD	1.59%	1.75
Health Care Equipmen							12.07%	13.31
FRESENIUS	Deutsche Börse	FRE GR	25,000	0	86.6	€	1.96%	2.16
GERRESHEIMER	Deutsche Börse		70,000	0	40.0	€	2.54%	2.80
NEXUS	Deutsche Börse		225,000	0	9.2	€	1.88%	2.07
PHARMAGEST INTERACTIVE	Euronext Paris		40,000	0	61.2	€	2.22%	2.45
SPHERE MEDICAL HOLDING	AIM		810,031	0	0.7	£	0.64%	0.70
UNITED DRUG	Dublin		1,075,786	-175,000	2.9	€	2.84%	3.13
Electrical & Engineering							18.02%	19.88
ANDRITZ	Vienna		90,000	-5,000	50.6	€	4.13%	4.55
ARCADIS	Euronext Amsterdam		250,000	0	18.1	€	4.10%	4.52
CENTROTEC	Deutsche Börse	CEV GY	100,000	20,000	13.9	€	1.26%	1.39
FAIVELEY	Euronext Paris	LEY FP	15,000	-10,000	50.0	€	0.68%	0.75
IMTECH	Euronext Amsterdam	IM NA	180,000	0	18.8	€	3.07%	3.38
KENDRION	Euronext Amsterdam		104,860	0	17.0	€	1.61%	1.78
SAFT GROUPE	Euronext Paris	SAFT FP	70,000	0	17.8	€	1.13%	1.24
SCHALTBAU HOLDING	Deutsche Börse	SLT GY	71,000		31.8	€	2.04%	2.25
Semiconductors								
MELEXIS	Euronext Brussels		193,000	23,545	13.7	€	2.40%	2.65
Materials							3.21%	3.55
UMICORE	Euronext Brussels	UMI BB	85,000	-3,000	41.7	€	3.21%	3.55
Other sectors							0.00%	0.00
Direct Private Equity Investments			Asset type	Invested	Committed		19.21%	21.19
AC CAPITAL	Software & Services		equity	0.37		€	0.33%	0.37
ANTERYON	Semiconductors		equity	1.50		€	1.36%	1.50
CARTAGENIA	Software & Services		equity	1.25		€	1.13%	1.25
CLEAR2PAY	Software & Services		equity	5.57		€	5.05%	5.57
IDEA	Pharma & Biotech		equity	0.16		€	0.15%	0.16
KIADIS	Pharma & Biotech		equity	2.87		€	2.61%	2.87
MAGWEL	Software & Services		equity	0.43		€	0.39%	0.43
MAPPER LITHOGRAPHY	Pharma & Biotech		equity	0.61		€	0.55%	0.61
PROSONIX	Pharma & Biotech		equity	3.21		£	2.91%	3.21
SYNTAXIN	Pharma & Biotech		equity	2.46		£	2.23%	2.46
TCLAND	Pharma & Biotech		equity	2.76		€	2.51%	2.76
Capricorn Private Equity Funds & .				7.08	18.19		6.40%	7.08
CAPRICORN CLEANTECH FUND	Funds & Div. Cpies		equity	1.21	0.25	€	1.10%	1.21
CAPRICORN HEALTH-TECH FUNI	Funds & Div. Cpies		equity	2.87	11.25	€	2.60%	2.87
CAPRICORN CLEANTECH CO-INV.	Technology hardware		equity	1.12	1.07	€	1.01%	1.12
CAPRICORN ICT ARKIV FUND	Funds & Div. Cpies		equity	1.88	5.63	€	1.69%	1.88
3rd Party Private Equity Funds							9.21%	10.16
Portfolio							93.54%	103.18
Net cash (incl. others & options)							6.46%	7.12
Adjusted equity value							100.00%	110.30
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								5.94
Adjusted equity value p.s.								9.57
Current discount								37.91%
Target prices								
Target equity value								110.30
Target equity value p.s.								9.57
Discount to target equity value								37.91%

KBCS has a BUY recommendation and a €6.4 target price.

The upside potential versus a stock price of €5.94 equals 7.74%.

The implied discount of our €6.4 target price vs. the target equity value is 33.1%.

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	29.80%	0.00%
ACCUMULATE	28.10%	0.00%
HOLD	40.50%	0.00%
REDUCE	0.80%	0.00%
SELL	0.80%	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
06-DEC-12	Buy	€ 6.40
27-JAN-12	Buy	€ 6.00

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