

25 January 2013

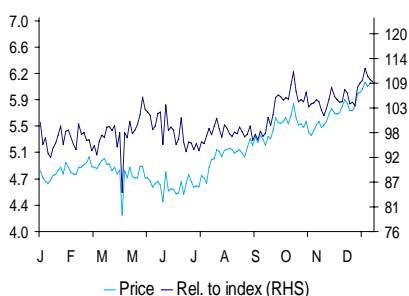
Quest for Growth

€15.7m FY12 profit brings FY13 dividend closer

Equity Investment Instruments
Belgium

Current price €6.12
Target price €7.30

Buy
Rating Unchanged



Source: Thomson Financial Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€71.7m
Shares outst.	11.8m
Volume (daily)	€29,372
Free float	90.6%

Next corporate event

Analyst Meeting 12: 25 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%

Jan-Willem Billiet

+32 2 429 45 04
janwillem.billiet@kbcsecurities.be

Tom Simonts

+32 2 429 37 22
tom.simonts@kbcsecurities.be

Summary:

A staunch performance of equity markets in 2H12 boosted FY12 net profit to €15.7m (ROE: +17.1%), thereby decreasing carried-over losses to a mere €3.6m (vs €19.3m FY11). For the first time since long, investor have a clear view on the payment of a (tax free) dividend over FY13 earnings. We maintain our Buy rating and increase our TP from €6.4 to €7.3.

News:

The €15.7m FY12 net profit compares with a FY11 net loss of €13.31m, reflecting a strong performance of overall stock markets. €9.26 p.s. The figure doesn't surprise, since a 17.2% y/y NAV increase was reported earlier in January (€9.26 p.s. vs. €7.9 p.s. at YE11). ROE amounted to 17.1%, largely surpassing the 12.1% drop in FY11. The portfolio of quoted stocks has delivered a strong performance of more than 30% in FY12, which outperformed Quest's benchmark indices (DJ Stoxx Small 200 (+20%) and TecDax (+21%)).

Quest's portfolio of unquoted stocks obtained a slight positive result in FY12. Market circumstance remained difficult, with the European IPO market being braindead at best. Direct participations stemmed from a number of follow-up investments in existing participations such as AC Capital, Cartagenia, Kiadis Pharma, Prosonix and TCLand, for an aggregated amount of €3m. The Capricorn ICT Arkiv NV was launched on 18 December 2012 with an aim to providing €15m of VC to innovative ICT companies. Quest funnelled €7.5m in the new fund, alongside the ARKimedea Fonds II,

The balance sheet at YE12 decreased carried-over losses to €3.6m (3.4% of total assets), down vs. a YE11 level of €19.3m (21.2% of total assets). Whilst carried-over losses remain on the balance sheet, Quest is legally prohibited from paying out dividends. However, should Quest succeed in wiping out the remaining carried-over losses (3.2% ROE needed) in FY13 - which we deem highly likely- a (tax-free) dividend is in reach.

Our View:

FY earnings are not the de facto stock price driver for Quest since the monthly NAV reports already provide ample insight into the underlying valuation, but the potential for a dividend payment certainly is. Quest is structured in the form of a PRIVAK status, which is granted substantial tax benefits: dividends are exempt from withholding tax if at least 80% of the profits stem from realized capital gains and if the company complies with all of the investment criteria. The part of the dividend resulting from capital gains (almost all of Quest profits) will be exempt from withholding tax, while the remaining part of the dividend will be subject to a withholding tax of 15%.

With a potential FY13 dividend (payable in May 2014) in sight, the current 36.9% discount is unwarranted. We decided to increase our TP to €7.3, which implies a rough 25% discount to NAV. The new TP leaves 19% upside potential. We maintain our Buy rating.

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SOTP MODEL – BASED ON CLOSING PRICES OF 24 JANUARY 2013

Description	Sector/market	BB	Shares held	Recent change	Last price	Crncy	% of NAV	Valuation (€m)
Quoted companies							11.92%	13.32
Software & Services								
ECONOCOM	Euronext Brussels	ECON BB	787,260	0	5.5	€	3.86%	4.31
INIT	Deutsche Börse	IXX GY	114,000	4,000	24.1	€	2.45%	2.74
NEMETSCHKE	Deutsche Börse	NEM GR	113,000	0	37.2	€	3.76%	4.20
SAP	Deutsche Börse	SAP GR	35,000	-2,500	59.1	€	1.85%	2.07
Technology Hardware							9.55%	10.67
EVS BROADCAST	Euronext Brussels	EVS BB	102,000	0	44.8	€	4.09%	4.57
LEM HOLDING	Zwitzerland	LEHN SW	4,869	0	574.0	CHF	2.01%	2.25
LPKF LASER & ELECTRONICS	Deutsche Börse	LPK GR	110,000	0	17.2	€	1.69%	1.89
TOMRA SYSTEMS	Oslo Stock Exchange	TOM NO	300,000	0	48.5	NOK	1.76%	1.96
Pharma & Biotech							1.52%	1.70
TEVA PHARMACEUTICAL	Nasdaq	TEVA US	60,000	0	37.9	USD	1.52%	1.70
Health Care Equipmen							11.93%	13.33
FRESENIUS	Deutsche Börse	FRE GR	25,000	0	88.4	€	1.98%	2.21
GERRESHEIMER	Deutsche Börse		70,000	0	38.6	€	2.41%	2.70
NEXUS	Deutsche Börse		225,000	0	8.8	€	1.77%	1.98
PHARMAGEST INTERACTIVE	Euronext Paris		40,000	0	66.1	€	2.37%	2.64
SPHERE MEDICAL HOLDING	AIM		810,031	0	0.7	£	0.60%	0.67
UNITED DRUG	Dublin		1,075,786	-175,000	2.9	€	2.80%	3.13
Electrical & Engineering							18.95%	21.18
ANDRITZ	Vienna		90,000	-5,000	48.5	€	3.91%	4.37
ARCADIS	Euronext Amsterdam		250,000	0	19.9	€	4.45%	4.97
CENTROTEC	Deutsche Börse	CEV GY	100,000	20,000	15.8	€	1.40%	1.58
FAIVELEY	Euronext Paris	LEY FP	15,000	-10,000	54.0	€	0.72%	0.81
IMTECH	Euronext Amsterdam	IM NA	180,000	0	20.1	€	3.24%	3.62
KENDRION	Euronext Amsterdam		104,860	0	18.6	€	1.75%	1.95
SAFT GROUPE	Euronext Paris	SAFT FP	70,000	0	20.0	€	1.25%	1.40
SCHALTBAU HOLDING	Deutsche Börse	SLT GY	71,000		35.0	€	2.22%	2.48
Semiconductors							2.40%	2.68
MELEXIS	Euronext Brussels		193,000	23,545	13.9	€	2.40%	2.68
Materials							3.08%	3.44
UMICORE	Euronext Brussels	UMI BB	85,000	-3,000	40.5	€	3.08%	3.44
Other sectors							0.00%	0.00
Direct Private Equity Investments			Asset type	Invested	Committed		18.87%	21.09
AC CAPITAL	Software & Services		equity	0.37		€	0.33%	0.37
ANTERYON	Semiconductors		equity	1.50		€	1.34%	1.50
CARTAGENIA	Software & Services		equity	1.25		€	1.12%	1.25
CLEAR2PAY	Software & Services		equity	5.57		€	4.98%	5.57
IDEA	Pharma & Biotech		equity	0.16		€	0.15%	0.16
KIADIS	Pharma & Biotech		equity	2.87		€	2.57%	2.87
MAGWEL	Software & Services		equity	0.43		€	0.38%	0.43
MAPPER LITHOGRAPHY	Pharma & Biotech		equity	0.61		€	0.54%	0.61
PROSONIX	Pharma & Biotech		equity	3.21		£	2.87%	3.21
SYNTAXIN	Pharma & Biotech		equity	2.36		£	2.11%	2.36
TCLAND	Pharma & Biotech		equity	2.76		€	2.47%	2.76
Capricorn Private Equity Funds & .				7.08	18.19		6.32%	7.08
CAPRICORN CLEANTECH FUND	Funds & Div. Cpies		equity	1.21	0.25	€	1.08%	1.21
CAPRICORN HEALTH-TECH FUNI	Funds & Div. Cpies		equity	2.87	11.25	€	2.56%	2.87
CAPRICORN CLEANTECH CO-INV.	Technology hardware		equity	1.12	1.07	€	1.00%	1.12
CAPRICORN ICT ARKIV FUND	Funds & Div. Cpies		equity	1.88	5.63	€	1.67%	1.88
3rd Party Private Equity Funds							9.09%	10.16
Portfolio							93.63%	104.65
Net cash (incl. others & options)							6.37%	7.12
Adjusted equity value							100.00%	111.77
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								6.12
Adjusted equity value p.s.								9.69
Current discount								36.87%
Target prices								
Target equity value								111.77
Target equity value p.s.								9.69
Discount to target equity value								36.87%

KBCS has a BUY recommendation and a €7.3 target price.

The upside potential versus a stock price of €6.12 equals 19.28%.

The implied discount of our €7.3 target price vs. the target equity value is 24.69%.

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	26.80%	0.00%
ACCUMULATE	27.60%	0.00%
HOLD	44.70%	0.00%
REDUCE	0.00%	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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KBC Securities NV
Havenlaan 12
Avenue du Port
1080 Brussels
Belgium
+32 2 417 44 04
Regulated by CBFA

KBC Securities UK
111 Old Broad Street
London EC2N 1PH
UK
+44 20 7418 8900
Regulated by FSA

KBC Securities US
140 East 45th Street
2 Grand Central Tower - 42nd Floor
NY 10017-3144 New York
US
+1 212 845 2200
Regulated by NASD

KBC Securities NV Polish Branch
ul. Chmielna 85/87
00-805 Warsaw
Poland
+48 22 581 08 00
Regulated by PFSA

KBC Securities Patria
Jungmannova 745/24
110 00 Prague 1
Czech Republic
+420 221 424 111
Regulated by CNB

KBC Securities NV Hungarian Branch
7/8 Roosevelt square
1051 Budapest
Hungary
+361 483 4005
Regulated by PSZAF

KBC Securities NV Bulgarian Branch
22 Gotze Delchev Blvd, Entr. 2
1404 Sofia
Bulgaria
Tel: +359 2 858 33 11
Regulated by FSC

KBC Securities Romania
11-15 Tipografilor Street
S-Park A2 Building
Bucharest-1
Romania
+40 21 40 84 200
Regulated by CNVM

BDD KBC Securities a.d.
Cincar Jankova 3
11000 Belgrade
Serbia
+381 11 21 80 856
Regulated by SSEC

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