

26 April 2013

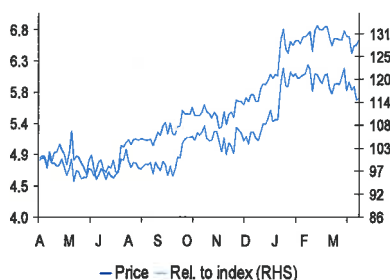
QUEST FOR GROWTH

Houston, we (might) have a dividend

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 6.60
TARGET PRICE € 7.30

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	QFG BB
Reuters	QUFG.BR
www.questforgrowth.com	
Market Cap	€ 77.8m
Shares outst.	11.8m
Volume (daily)	€ 35,182
Free float	90.6%
Next corporate event	

(€ m)	2010	2011	2012
Net result	20.6	-13.3	15.7
Adj. net result	20.6	-13.3	0.0
Basic EPS (€)	1.74	-1.15	1.36
ROE	24.1%	-12.6%	17.2%
Adj. eq. value	8.99	7.88	9.26
Premium/disc.	42.9%	39.7%	38.4%
DPS (€)	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%

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Summary:

1Q13 produced a € 4.86m profit (1Q12: € 6.2m), which exchanged carried-over losses of € 3.6m at YE12 to a carried-over profit of € 1.3m. This brings investors a huge step closer to a possible FY13 dividend payout (to be paid out in FY14). No additional news was announced in the 1Q13 update. No changes to rating and TP.

News:

Quest's monthly NAV updates had already unveiled that equity p.s. increased to € 9.68 at end-1Q13 vs. € 9.26 at YE12 (+4.5%). The stock climbed 16% in 1Q13 to € 6.63 p.s., due to which the discount decreased to 32% (YE12: 38%, 2-year average: 38.4%). The 4.5% rise in NAV is well in line with the performance of the DJ STOXX 600 index over the first quarter (+5%). The € 4.86m positive result compares with a € 6.2m profit over the same period last year. The corresponding ROE amounts to 4.35%.

The result is almost entirely driven by unrealised capital gains in the quoted portfolio (€ 4.59m) due amongst others to Nemetschek, Arcadis, LPKF, Kendrion and Pharmagest. Imtech (-27% stock performance from the beginning of the year until the sale) was removed from the portfolio after a case of fraud had been revealed. Despite Quest's direct investments haven't been impaired, an additional € 0.3m provision was allocated to the already provisioned € 2.9m at YE12 that is aimed at covering potential, future impairments at the level of the direct PE portfolio.

Our View:

The 1Q13 profit confirms an earlier reported increase in monthly NAV on the back of strong equity markets. The carried-over losses have been wiped out with a 1Q13 net profit of € 4.86m. This brings the annualized result to € 1.3m. Extrapolating the current trend to the remainder of the year, which is a tricky exercise, should lead to a FY13 dividend (paid out in FY14). Quarterly 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 dividend payment certainly is.

Conclusion:

Based on yesterday's close, we estimate NAV at € 9.62 p.s. with a 31.43% discount. The implied discount of our € 7.3 TP vs. the target equity value is 24.15%, which we believe is warranted given that a possible dividend is within reach. The upside potential versus current levels amounts to 10.6%. We maintain our Buy rating.