

26 July 2013

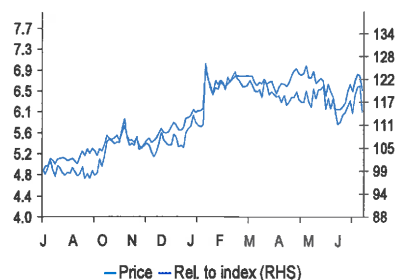
QUEST FOR GROWTH

Again one step closer to a potential dividend

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 6.47
TARGET PRICE € 7.30

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg QFG BB
Reuters QUFG.BR

www.questforgrowth.com

Market Cap	€ 79.6m
Shares outst.	11.8m
Volume (daily)	€ 36,199
Free float	90.6%

Next corporate event

Results 3Q13: 24 October 2013

(€ 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%

Jan-Willem Billiet

+32 2 429 45 04

janwillem.billiet@kbcsecurities.be

Tom Simonts

+32 2 429 37 22

tom.simonts@kbcsecurities.be

Summary:

Despite 1H13 profit declined 3.4% y/y to € 5.6m, NAV increased by 5.3% on a YTD basis (vs. 2% for the DJ Stoxx 600 index) and carried-over losses of € 3.6m at YE12 were swapped for a € 1.97m carried over profit. We stick to our € 7.3 TP (implied discount: 25%) and Accumulate rating (upside potential: 12.8%).

News:

The bulk of the € 5.6m 1H13 income (€ 0.48 p.s) was generated in 1Q13 (€ 4.9m) as 2Q13 produced a € 0.7m profit. Corresponding ROE (since YE12) arrived at 4.98% (non-annualised), which compares to 17.1% in FY12 and -12.6% in FY11. Equity per share at end-1H13 climbed to € 9.75, versus € 9.26 at YE12 (5.3% YTD), while the stock surged to € 6.11 (7% YTD) versus € 5.70 at YE12. The discount in the period consequently narrowed from 38.44% to 37.33%. The positive result in 1H12 is explained by a positive performance of both Quest's listed and unlisted portfolio. The listed portfolio performed on average +5% YTD while the most important contribution in the unlisted portfolio came from the sale of the Israeli-based free satellite navigation app Waze to Google. Quest's participation in Vertex III, one of the shareholders of Waze, increased by over € 1m. A profit was also made through the sale of GSK to Okairos. TCLand shares disappeared from the portfolio without value with a limited impact on NAV as Quest had already included a depreciation in the FY12 results.

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 outperformed European stock indexes. In the Private Equity Segment, none of the € 0.6m 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. Quest's end-of-June discount of 37.3% is in contrast with the 1H13 average of 32.0%. For the discount to structurally narrow, we believe Quest should resume paying out dividends. Since long, investors are now again one step closer to a potential dividend as carried over losses have been switched for an annualised carried over profit of € 1.97m (versus € 1.3m at 1Q13). 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). Therefore, we believe the current 33.63% discount is unwarranted.

Conclusion:

We currently estimate NAV p.s. at € 9.75 with a 33.6% discount. The implied discount of our € 7.3 TP vs. the target equity value is 25.12%, which we believe is warranted given that a possible dividend is within reach. The upside potential versus current levels amounts to 12.8%. We maintain our Accumulate rating.