

25 July 2014

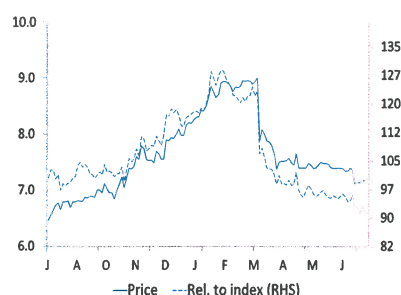
QUEST FOR GROWTH

Second consecutive dividend comes closer

EQUITY INVESTMENT INSTRUMENTS
BELGIUM

CURRENT PRICE € 7.22
TARGET PRICE € 7.25

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg QFG BB
Reuters QUGF.BR
www.questforgrowth.com

Market Cap € 83.3m
Shares outst. 11.5m
Volume (daily) € 45,416
Free float 72.9%

Next corporate event

Results 3Q14: 23 October 2014

(€ m)	2011	2012	2013
Net result	-13.3	15.7	18.5
Adj. net result	-13.3	0.0	18.5
Basic EPS (€)	-1.15	1.36	1.60
ROE	-12.6%	17.2%	17.3%
Adj. eq. value	7.88	9.26	10.87
Premium/disc.	39.7%	38.4%	24.5%
DPS (€)	0.00	0.00	1.18
Dividend yield	0.0%	0.0%	14.4%

Yves Franco

+32 2 429 45 04

yves.franco@kbcsecurities.be

1H14 profit for Quest declines 27.9% y/y to € 4.0m, mainly attributable to a modest 2Q14 profit of € 0.7m. NAV p.s. decreased from € 10.87 to € 9.88 (-9.1%). When reinvesting the € 1.18 dividend payment, the NAV p.s. would have increased 3.41% YTD. With no carried-over losses on the balance anymore, we are hopeful that a dividend payout is possible again. We lower our TP from € 8 to € 7.25, Hold maintained.

News:

The main part of the € 4.0m profit (€ 0.35 p.s.) was realized in 1Q14 (€ 3.3m) as 2Q14 produced a € 0.7m profit. The corresponding ROE (since YE13) amounts as such to 3.7%, which compares to 4.98% in FY13 and 17.1% in FY12. Equity per share at the end of June climbed to € 11.2 p.s. (reinvesting the dividend) vs. € 10.87 at YE13 (3.41% YTD). Including the dividend, the NAV decreased to € 9.88 (-9.1%), while the share price decreased from € 8.21 to € 7.34 (-10.6%) over the same period. As such, the discount increased from 24.4% to 25.7%. The positive result in 1H14 is explained by a positive performance on the listed, but a negative performance on the unlisted portfolio. The listed portfolio performed on average +5% YTD, with outperformers Nemetschek and Melexis (>30% YTD), but a major decline at EVS (-21%). Shares USU Software and TKH Group were added to the portfolio. The favourable stock market evolution prompted Quest to cash in on Nemetschek, Umicore, Melexis, Gerresheimer and Ablynx. The unlisted portfolio moved hardly, while the contribution of the fund business was positive thanks to the Carlyle and LSP fund. Increased activity was noted at the Capricorn funds, especially in the Capricorn Health-tech fund. Put options were however bought in order to protect the portfolio from the demanding valuations and low volatility on stock markets. Equity markets continued their gradual growth path in 1H14, but cloud software and digital media stocks had to take a hit in April with a repair afterwards. Small caps (DJ Stoxx 200) increased 3.5% YTD, compared to the outperforming larger pool (DJ Stoxx 600) with a 4% profit since YE13.

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 was able to outperform European stock indices. In the Private Equity segment, provisions have increased from € 0.6m to € 1.0m, reflecting the high activity in the Capricorn funds. Extrapolating the positive result, which is a tricky exercise, should lead to a FY14 dividend payout (for the second year in a row now). 1H14 should already contribute € 0.29 p.s. (assuming a 100% payout ratio).

Conclusion:

We currently estimate NAV p.s. at € 9.67 p.s. with a 25.32% discount. We believe a discount of 25% to the target equity value is warranted, and therefore adjust our TP from € 8 to € 7.25. As such, the upside potential vs. yesterday's closing price of € 7.22 is negligible and our Hold rating is justified.