

7 November 2014

QUEST FOR GROWTH

Damage control in October, upgrade to Buy

EQUITY INVESTMENT INSTRUMENTS

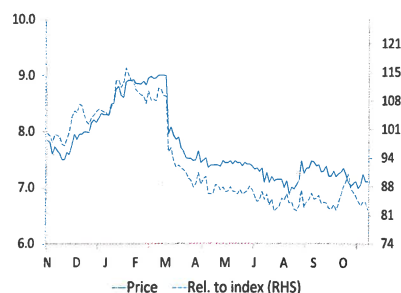
BELGIUM

CURRENT PRICE € 7.11

TARGET PRICE € 8.00

BUY

RATING UPGRADED



Source: Thomson Reuters Datastream

Bloomberg QFG BB
Reuters QUFG.BR

www.questforgrowth.com

Market Cap € 82.0m
Shares outst. 11.5m
Volume (daily) € 46,237
Free float 72.9%

Next corporate event

Results FY14: 22 January 2015

(€ 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%

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In October, Quest for Growth has taken advantage of low price levels on the stock market. The company invested the ample cash from the Clear2Pay transaction, in various participations and included a new company: Nibe (Sweden). Quest continued to decrease its stake in Econocom and has now fully divested it. There was reasonable damage control in the difficult month October, with the NAV per share decreasing € 0.19 m/m to € 9.99 (€ 10.18 end-Sept). We increase our TP to € 8 and upgrade to Buy.

News:

Quest has been in investment gear last month, partly thanks to the cash inflow on the C2P transaction (around € 10m, with some money put in escrow). The company made 13 follow-up investments, 1 new investment and fully divested Econocom (the remaining 252k shares). At YE12 and YE13, Quest held 800k and 500k shares in the company respectively, but started to sell off quickly this year. We can only hope Quest sold the shares after Econocom's profit warning on 21/10/2014. On the total initial investment, we are confident QfG was able to book a substantial profit. One new investment (75k shares) was added to the portfolio: Nibe, a Swedish heating technology company.

At yesterday's prices, the listed portfolio is valued at € 67.41m (vs. € 63.6m last month) or 58.1% of the NAV. Direct Private Equity investments equal € 13.38m (11.5% NAV), down around € 10m vs. last month due to the completion of the C2P sale in early October. Capricorn and 3rd party funds remained stable at € 17.89m in the portfolio (15.83% NAV). Net cash and other liquid investment instruments stands at € 17.4m (vs. € 13.3m last month), as part of the cash from C2P has been redeployed in the listed portfolio.

Our View:

It seems that Quest profited from depressed stock markets in October. The strong cash inflow from C2P came therefore at a welcome timing. The company further cut the Econocom stake, which we welcome given the strong track record seen in FY12 and FY13, but the weak performance in 2014 so far. We have seen the discount increase from 27.5% to 29.2% during October. The NAV per share of € 9.99 still signals an increase above the € 9.53, showing a current profit of € 5.3m for 2014. Adding the (negligible) carried over profit of last year, we currently see a possible dividend payment over FY14, at € 0.49 per share (assuming 100% pay out). This shows a yield of 6.9% over yesterday's closing price of 6.9%. We remind that YTD performance is never a guarantee for the FY number, as Quest heavily depends on the stock market and investor sentiment.

Conclusion:

Based on yesterday's closing prices, we estimate Quest's NAV per share at € 10.07. Taking the end-September value of € 9.99, we estimate a possible dividend payment of € 0.49 (6.9% yield) over FY14. With a possible dividend in reach, we believe a 20% discount is fair. Upgrade to € 8 TP and Buy.