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QUEST HOLDINGS

Outlook remains buoyant

Impressive H1'21 performance... – Quest reported another solid set of results underpinned by continuing robust growth across-the-board. Group revenues shaped 47% higher yoy at €448m while H1'21 group EBITDA rose by 45% yoy. The respective group margin was sustained close to c9% despite a slight erosion in gross margins which was offset by positive operating leverage. Group net profit more than doubled yoy in H1 at €23.9m, affirming the solid footing on which the group remains.

... drives c5-7% upgrades to our estimates; we conservatively factor in H2'21 EBITDA growth +13% – Filtering through the strong H1 performance, we have lifted our revenues 5-7% for 2021-23e. Our 2021e assume H2'21 revenue growth will decelerate to +15% yoy, quite a conservative estimate but warranted, in our view, given the tough comps. At the profitability lines, we have fine-tuned our cost assumptions also reflecting the stronger-than-anticipated H1 trends in IT and courier services. Our FY'21 EBITDA forecast is thus raised to €76m (€61m ex-Cardlink), +27% yoy indicating H2'21 growth of +13% yoy. The bottom line is further enhanced, as the group is cycling a high tax payment in Q3'20, and we thus expect net profits to shape at €40.9m in FY'21, up by a whopping +156% yoy.

16% EBIT CAGR in 2020-23e... – The better than anticipated operating performance in H1 reinforces our view that Quest will build on its strong execution track record (>20% EBIT CAGR since 2015). Given the secular growth enjoyed by most of Quest's segments (e.g. e-Commerce penetration, digitalization), we expect the pendulum of operating leverage to stay strongly positive, with the c14% 3-year sales CAGR (pro-forma for the disposal of Cardlink) driving a c16% CAGR in EBIT over 2021-23e.

... and plenty of balance sheet optionality – Quest enjoys a healthy balance sheet (€21m net debt in the seasonally weak, from a cash flow perspective, H1), which will be further bolstered by the cash proceeds from the sale of Cardlink (€93m, expected to close by the end of the year). The pro-forma strong net cash position means that Quest has enough war chest to pursue new investments in relevant 'tech driven' sectors and/or renewables, thereby finding new avenues of growth. Alternatively, Quest could deliver additional shareholder value through heftier cash returns. The shareholder return track record is solid (70% of cumulative 5-year net profit, further topped up by the return in kind associated with the REIC demerger), testament to mg't's commitment in creating shareholder value.

Valuation – We reiterate that the current valuation constitutes a compelling risk-reward proposition, underpinned by the solid underlying outlook and the value we expect will crystalize over time by rising shareholder returns and/or M&A. Our SOTP-based valuation – post the application of a 10% holding discount – yields a higher baseline value of €19.7 per share (from €18.40 previously), indicating a 2021e EV/EBITDA multiple (pro-forma) of 10.8x, undemanding given the growth profile.

Estimates *					
€ mn	2019	2020	2021e	2022e	2023e
Sales	600.3	721.4	928.6	997.1	1,065.4
EBITDA - adj.	53.4	59.9	76.1	82.3	87.9
Net profit - reported	7.9	16.0	40.9	43.3	46.9
EPS - adj. (EUR)	0.55	0.73	1.14	1.21	1.31
DPS (EUR)	0.14	0.45	0.30	0.33	0.36

Valuation					
Year to end December	2019	2020	2021e	2022e	2023e
P/E	28.0	18.1	12.8	12.1	11.2
EV/EBITDA	5.3	6.0	8.0	7.2	6.6
EBIT/Interest Expense	6.0	6.4	8.3	8.7	9.0
Dividend Yield	2.3%	5.6%	2.0%	2.2%	2.5%
ROE	5.5%	11.2%	23.9%	20.9%	19.1%

Market Cap (€mn) €529.0
Closing Price (14/09) €14.80

Stock Data

Reuters RIC	IQTr.AT
Bloomberg Code	QUEST GA
52 Week High (adj.)	€15.20
52 Week Low (adj.)	€7.60
Abs. performance (1m)	1.6%
Abs. performance (YTD)	41.6%
Number of shares	35.7mn
Avg Trading Volume (qrt)	€173k
Est. 3yr EPS CAGR	21.4%
Free Float	25%

Quest Share Price



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See Appendix for Analyst Certification and important disclosures.

** Including Cardlink.*

Valuation update: DCF-based SOTP yields a c€640-780m intrinsic value range (€18-21.8 per share)

We base our valuation on Quest group on a sum-of-the-parts (SOTP) of the 5 core segments comprising the group, namely ACS (courier), IT services (UniSystems), Commercial Activities – (formerly known as IT products, consisting of InfoQuest, Quest Online, iSquare, iStorm) and Cardlink (electronic payments). We run through our segmental DCF assumptions, but in brief our model utilizes:

- **For the non-RES segments:**
 - o a blended 8.7% WACC which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe;
 - o Sales CAGR of c10% over 2021-2025e, driven by secular drivers (e-Commerce penetration, digitalization) and other factors (share gains in IT segments, cyclical recovery), fading to c3% in the medium term.
 - o EBIT CAGR of c14% over 2021-2025e driven by the robust top line growth, operating leverage and the rolling-off of one-off COVID-related expenses, with further underpinning being provided by cyclical acceleration. This would imply c80bps margin expansion vs 2020 levels on a proforma basis. We assume proforma medium-term EBIT growth fades to c4%, just a tad above top line growth.
 - o We use a LT growth rate of 0.9%, implying reinvestment rate near 25% and incremental ROIC of <4%, justifiable in our view by the technology-dependent nature of most segments.
 - o The implied proforma FCF conversion (FCF/EBITDA) in the medium term stands at c55%, a level we consider feasible.
- **For the RES segment:**
 - o We value a portfolio of 31MW (28MW as of end 2020), effectively incorporating just 3MW additional capacity.
 - o We are using explicit cash flows through 2049, assuming a 27-year average life for Quest’s wind and solar installations; taking into account the period in operation, we estimate a remaining life 16-25 years for the group’s installed parks;
 - o 22 €/MWh feed-in tariff with a 17% load factor;
 - o We assume the 3MW additional capacity comprises already operating photovoltaic stations, and in that regard, we have pencilled in capex of €6m for 2021e;
 - o 5% WACC, which is line with a 4.0-5.5% discount rate normally used for RES installations across Europe.

Our SOTP is detailed in the table below. Our base case exercise yields a fair equity value near €750m, c7% higher than our previous valuation to reflect the upgrades to our earnings estimates. After applying a 10% holding discount, we come up with an indicative fair value per share near €19.7.

Sum of the parts valuation – proforma for Cardlink disposal		
EURm unless otherwise stated		2021e EBITDA
ACS	280.2	13.8x
RES	80.9	11.9x
IT Services	123.7	11.0x
IT products	175.2	7.8x
Other	2.3	4.0x
Consolidated EV	662.3	10.8x
Net cash (net debt) - post Cardlink sale *	110.3	
- other claims (operating leases etc.)	-23.8	
Total Equity value	748.7	
Number of shares (mn)	35.7	
12m fair value - ex div	21.9 €	
Assumed holding discount	10%	
Fair value	19.7 €	

Source: Eurobank Equities Research

A basic sensitivity on a combination of WACC and terminal growth rates for the non-RES segments as a whole is presented at the table below. As can be seen, flexing our WACC and perpetuity growth inputs by 0.5% yields a fair value range between €18 and €21.8 per share.

Sensitivity of our calculated group fair value per share to the WACC and LT growth assumptions of non-RES segments						
		WACC				
		9.7%	9.2%	8.7%	8.2%	7.7%
Terminal growth	1.9%	18.8	20.0	21.4	22.9	24.8
	1.4%	18.2	19.2	20.4	21.8	23.5
	0.9%	17.6	18.5	19.7	20.9	22.3
	0.4%	17.1	18.0	19.0	20.1	21.4
	-0.1%	16.6	17.4	18.3	19.4	20.6

Source: Eurobank Equities Research

* As a reminder, as announced on 28th May, Quest group sealed an agreement with Wordline for the disposal to the latter of its 85% stake in Cardlink. The total EV of the transaction amounted to €155m, translating to c10.5x 2021e EV/EBITDA. Taking into account equity claims in the form of call options held by the Cardlink management as part of the past acquisition by Quest, the latter is expected to hold a 65% equity stake at the time of the transaction closing. Its equity stake will thus be valued near €93m.

Updated forecasts

**Raising 2021-23e EBITDA 5-7%;
remaining quite conservative for
H2'21e (EBITDA +13%)**

In view of the robust H1'21 results, especially in the IT products segment (commercial activities division), we have upgraded our EBITDA forecasts by some c5-7% in FY21-23e. This comes mainly as a result of a top line upgrade in commercial activities segment for FY'21 and a fine-tuning in group margins. Following our updated forecasts, we see H2'21 revenue growth at +15% yoy and EBITDA growth of +13% yoy. This would be far more tepid than H1 growth rates, on account of the tough comparative, leaving some room for positive surprise given the solid execution so far. We show our updated interim forecasts below.

Quest group - Interims overview						
EURm unless otherwise stated	H1'20	H1'21	yoy	H2'20	H2'21e	yoy
Group revenues	303.9	447.5	47%	417.4	481.1	15%
- of which:						
<i>IT products/Commercial activities</i>	162.6	278.3	71%	257.4	310.2	21%
<i>IT Services</i>	62.7	76.6	22%	69.6	73.2	5%
<i>Courier Services</i>	57.4	66.7	16%	68.5	74.2	8%
<i>Cardlink</i>	16.3	20.9	28%	17.8	19.4	9%
<i>RES</i>	4.6	4.7	3%	4.4	4.4	1%
<i>Unallocated</i>	0.3	0.2		-0.3	-0.3	-12%
Gross profit	50.1	73.3	46%	65.7	71.9	10%
Gross margin	16%	16%	-12 bps	16%	15%	-78 bps
- Opex	-23.0	-34.0	48%	-32.9	-35.1	7%
Opex/sales	7.6%	7.6%	4 bps	7.9%	7.3%	-59 bps
EBITDA	27.1	39.3	45%	32.8	36.9	13%
EBITDA margin	8.9%	8.8%	-16 bps	7.8%	7.7%	-19 bps
- of which:					0.0%	
<i>IT products/Commercial activities</i>	5.6	10.7	90%	10.0	11.7	18%
<i>IT Services</i>	3.2	6.2	97%	4.9	5.0	1%
<i>Courier Services</i>	8.0	10.6	33%	8.9	9.6	8%
<i>Cardlink</i>	5.7	7.7	34%	6.2	7.0	13%
<i>RES</i>	3.8	3.9	2%	2.9	2.9	1%
Other	0.8	0.1		-0.2	0.5	
D&A	-8.8	-5.6		-8.8	-12.9	
EBIT	18.3	33.6	83%	24.0	24.0	0%
Other profit / (loss)	-0.2	0.0		-1.0	0.0	
- Financial income (expense) / other	-2.5	-4.1		-3.3	-2.0	
Pre-tax Profit	15.7	30.4	94%	19.6	22.9	17%
- Non-controlling interests	-0.1	-0.5		-0.2	-0.1	
- Tax	-4.1	-6.0		-14.8	-5.7	
% tax rate	26.5%	19.7%		75.4%	25.0%	
Net profit	11.4	23.9	110%	4.6	17.0	271%
EPS in EUR	0.32	0.67	110%	0.13	0.48	270%
Cash flow summary						
Operating Cash Flow	4.4	-13.5		28.88	54.7	
Capex	-6.9	-8.6		-19.10	-36.7	
Net debt (cash)	-18.4	20.6		-10.25	-13.0	
Period inflow (outflow)	-6.4	-30.8		-8.1	13.0	

Source: Company, Eurobank Equities Research

In the table below we showcase our sales and EBITDA forecast changes per division. We have raised revenues from commercial activities by some 12%, in light of the +71% yoy growth delivered in H1'21, now anticipating a +21% yoy increase in H2'21e, thus leading our FY'21e net revenue for the particular division to €588m, +40% yoy. Other than that, we maintain our revenue forecasts unchanged. At the profitability front we slightly trimmed our operating cost forecasts for IT services and courier services, predicated on the better than expected H1 margin figures. Overall, we have lifted our FY21e group EBITDA by €5m, to €76m, while making a similar (c5-6%) upgrade in the outer years.

Changes per division			
New Sales	2021e	2022e	2023e
ACS	143	161	174
Cardlink	41	41	43
RES	10	11	11
IT Services (Unisystems)	152	164	178
Commercial (IT products)	657	700	745
New EBITDA			
ACS	20	24	26
Cardlink	15	15	16
RES	7	8	8
IT Services (Unisystems)	11	12	14
Commercial (IT products)	22	23	24
Old Sales			
ACS	143	161	174
Cardlink	41	41	43
RES	10	11	11
IT Services (Unisystems)	152	164	178
Commercial (IT products)	588	642	685
Old EBITDA			
ACS	19	23	25
Cardlink	15	15	16
RES	7	8	8
IT Services (Unisystems)	11	11	13
Commercial (IT products)	19	20	21
New vs old sales			
ACS	0%	0%	0%
Cardlink	0%	0%	0%
RES	0%	0%	0%
IT Services (Unisystems)	0%	0%	0%
Commercial (IT products)	12%	9%	9%
New vs old EBITDA			
ACS	5%	5%	5%
Cardlink	0%	0%	0%
RES	0%	0%	0%
IT Services (Unisystems)	7%	5%	5%
Commercial (IT products)	18%	16%	11%

Source: Eurobank Equities Research

At group level the changes in our forecasts are as follows:

Group forecast changes			
	2021e	2022e	2023e
New			
Sales	929	997	1065
EBITDA	76	82	88
Net Income	41	43	47
Old			
Sales	865	944	1010
EBITDA	71	77	84
Net Income	37	39	44
new vs old			
Sales	7%	6%	5%
EBITDA	7%	6%	5%
Net Income	11%	10%	7%

Source: Eurobank Equities Research

The table below sums up our updated key divisional estimates and rolls them into an overall forecast for the group.

Divisional Breakdown						
EURm	2018	2019	2020	2021e	2022e	2023e
Group Sales	497.7	600.3	721.4	928.6	997.1	1065.4
- of which						
ACS	102.6	110.1	127.4	142.8	160.5	173.7
Cardlink*	33.8	33.1	34.4	40.5	40.6	42.9
RES	2.3	6.8	9.4	9.7	10.7	10.7
IT Services	90.2	116.2	134.2	152.1	164.5	177.7
IT products	302.3	379.4	473.2	657.0	699.8	744.9
Intragroup	-33.4	-45.3	-57.2	-73.6	-79.0	-84.4
Yoy growth in net sales						
Group	14.0%	20.6%	20.2%	28.7%	7.4%	6.8%
ACS	3.7%	7.3%	15.7%	12.1%	12.4%	8.2%
Cardlink	-12.3%	-2.0%	3.8%	17.9%	0.2%	5.6%
RES	173.1%	196.7%	39.7%	3.2%	10.2%	0.0%
IT Services	7.4%	28.9%	15.4%	13.4%	8.1%	8.0%
IT products	25.0%	25.5%	24.7%	38.9%	6.5%	6.4%
Group EBITDA	33.9	53.4	59.9	76.1	82.3	87.9
- of which						
ACS	13.8	15.8	16.9	20.3	23.7	26.5
Cardlink	4.7	13.6	12.0	14.8	15.1	16.1
RES	1.5	4.9	6.7	6.8	7.5	7.5
IT Services	2.7	5.6	8.1	11.3	12.0	13.7
IT products	6.4	13.1	15.6	22.4	23.3	23.5
Other	4.8	0.4	0.6	0.6	0.6	0.6
Yoy growth in EBITDA						
Group	-13.6%	57.5%	12.2%	27.1%	8.1%	6.8%
ACS	12.0%	14.1%	7.3%	19.6%	17.2%	11.4%
Cardlink	-73.0%	192.9%	-12.3%	23.4%	2.5%	6.4%
RES	NM	223.7%	38.5%	1.5%	10.2%	0.1%
IT Services	-4.9%	111.2%	43.9%	38.6%	6.9%	13.7%
IT products	11.1%	102.6%	19.3%	44.0%	3.9%	1.0%
EBITDA margins						
Group	6.8%	8.9%	8.3%	8.2%	8.3%	8.2%
ACS	13.5%	14.3%	13.3%	14.2%	14.8%	15.2%
Cardlink	13.8%	41.2%	34.8%	36.4%	37.2%	37.5%
RES	65.8%	71.8%	71.2%	70.1%	70.1%	70.2%
IT Services	3.0%	4.9%	6.1%	7.4%	7.3%	7.7%
IT products	2.1%	3.4%	3.3%	3.4%	3.3%	3.2%

Source: Company, Eurobank Equities Research * Quest has agreed to sell its stake in Cardlink to Wordline; transaction likely to be completed in H2'21

Pro forma figures without Cardlink

Pro forma ex Cardlink

In view of the upcoming disposal of Cardlink (transaction to be completed by year end), we attempt to provide below a pro forma breakdown of group numbers excluding the electronic payments segment.

Divisional Breakdown – proforma for disposal of Cardlink				
EURm	2020	2021e	2022e	2023e
Group Sales	687.0	888.0	956.2	1,022.2
- of which				
ACS	127.6	142.8	160.5	173.7
RES	9.4	9.7	10.7	10.7
IT Services	134.2	152.1	164.5	177.7
Commercial Activities (ex-IT products)	473.2	657.0	699.8	744.9
Intragroup	-57.2	-73.7	-79.3	-84.8
Yoy growth in net sales				
Group	21%	29%	8%	7%
ACS	16%	12%	12%	8%
RES	40%	3%	10%	0%
IT Services	15%	13%	8%	8%
Commercial Activities (ex-IT products)	25%	39%	7%	6%
Group EBITDA	47.9	61.4	67.2	71.8
- of which				
ACS	16.9	20.3	23.7	26.5
RES	6.7	6.8	7.5	7.5
IT Services	8.1	11.3	12.0	13.7
Commercial Activities (ex-IT products)	15.6	22.4	23.3	23.5
Other	0.6	0.6	0.6	0.6
Yoy growth in EBITDA				
Group	21%	28%	9%	7%
ACS	7%	20%	17%	11%
RES	38%	2%	10%	0%
IT Services	44%	39%	7%	14%
Commercial Activities (ex-IT products)	19%	44%	4%	1%
EBITDA margins				
Group	7.0%	6.9%	7.0%	7.0%
ACS	13.3%	14.2%	14.8%	15.2%
RES	71.2%	70.1%	70.1%	70.2%
IT Services	6.1%	7.4%	7.3%	7.7%
Commercial Activities (ex-IT products)	3.3%	3.4%	3.3%	3.2%

Source: Company, Eurobank Equities Research

Summary Financials – profoma for Cardlink sale				
EURm	2020	2021e	2022e	2023e
P&L				
Sales	687.0	888.1	956.5	1022.5
Gross profit	96.5	122.4	132.8	142.3
Gross margin	13.4%	13.2%	13.3%	13.4%
- Opex	-48.6	-61.0	-65.7	-70.6
Opex / Sales	7.1%	6.9%	6.9%	6.9%
EBITDA	47.9	61.4	67.2	71.8
- D&A	-9.0	-10.1	-10.7	-10.9
EBIT	39.0	51.2	56.5	60.8
- Financials/Other	-6.7	-3.9	-6.0	-6.4
PBT	32.2	47.3	50.4	54.5
- Tax	-18.4	-10.4	-11.1	-12.0
- Non controlling interests	-0.4	0.0	0.0	0.0
Net income	13.4	36.9	39.3	42.5
EPS	0.37 €	1.03 €	1.10 €	1.19 €

Source: Company, Eurobank Equities Research

H1'21 results overview

Strong set of results, with impressive top line growth and healthy margins

Quest reported a strong set of H1'21 results on strength across-the-board and Q2 trends staying impressive (similar to Q1). Group revenues grew 47% in H1, coming in at €447.5m, 5% above our estimates. EBITDA increased 45% yoy to €39m, also above our forecast of €36.7m.

Per segment, we saw strong demand rates among tech driven IT products in H1'21 with revenues +71% yoy, way above our forecast for +54% (implying +78% in Q2, from +64% in Q1), underpinned by the state-subsidized "Digital Care" project, with the segment's H1 EBITDA at €10.7, hiking by 90% yoy (Q2 margin at 3.9% vs. 3.8% in Q1). In the IT services segment revenues were spot on our forecasts, up by 22% yoy (+20% in Q2 vs +24% in Q1), with the EBITDA though better than we had expected indicating a sequential margin improvement (+1.6pps qoq). Courier services revenues grew by a lower 16% yoy in H1'21 (below our forecast for +22%) implying Q2 revenue growth of +9% yoy (from +24% in Q1). However, courier EBITDA came in above our expectations, with the respective margin also improving sequentially by 2 pps qoq. Regarding Cardlink, this is referred to as a discontinued operation, with revenues +28% yoy in H1 and EBITDA +34% yoy (vs. our forecast for H1 EBITDA +38%, on sales of +32%).

Overall, group revenues stood at €447.5m in H1, implying a small sequential acceleration in Q2 (sales +48% in Q2 from +46% in Q1), driven by better than expected results in IT products. H1'21 group EBITDA stood at €39.3m, with the respective margin at 8.8%, down 16bps yoy, as a result of a rebound in costs, on markets reopening. Group net profit increased by 110% yoy to €23.9m in H1, aided further by some €2m extraordinary profit from the sale of minority stakes.

On the cash flow front, we saw fairly unchanged net debt levels qoq at €20.6m vs €22.8m in end Q1'21, thus implying net cash inflow of €2.2m in Q2'21.

Quest group – Results overview								
EURm unless otherwise stated	Q2 20	Q2 21	yoy	H1'20	H1'21	yoy	Q2 21e	H1'21e
Group revenues	156.2	231.4	48%	303.9	447.5	47%	208.2	424.3
- of which:								
IT products	81.6	145.4	78%	162.6	278.3	71%	118.2	251.1
IT Services	32.8	39.4	20%	62.7	76.6	22%	39.5	76.7
Courier Services	30.8	33.6	9%	57.4	66.7	16%	37.0	70.2
Cardlink (discontinued)	8.2	9.9	21%	16.3	20.9	28%	10.7	21.6
RES	2.7	2.9	7%	4.6	4.7	3%	2.8	4.6
Unallocated	0.1	0.2		0.3	0.2		0.1	0.1
EBITDA	14.6	20.9	43%	27.1	39.3	45%	18.3	36.7
EBITDA margin	9.3%	9.0%	-32 bps	8.9%	8.8%	-16 bps	8.8%	8.6%
- of which:								
IT products	3.1	5.6	82%	5.6	10.7	90%	4.5	9.6
IT Services	1.9	3.5	87%	3.2	6.2	97%	2.4	5.1
Courier Services	4.2	5.7	35%	8.0	10.6	33%	5.3	10.3
Cardlink (discontinued)	2.6	3.6	40%	5.7	7.7	34%	3.8	7.9
RES	2.3	2.4	7%	3.8	3.9	2%	2.3	3.7
Other	0.6	0.0		0.8	0.1		0.0	0.0
Pre-tax Profit	8.9	16.5	85%	15.7	30.4	94%	13.1	27.1
- Non-controlling interests	-0.1	-0.1		-0.1	-0.5		-0.1	-0.5
- Tax	-1.8	-3.3		-4.1	-6.0		-2.6	-5.3
% tax rate	20.6%	19.9%			19.7%		20.0%	
Net profit	7.0	13.0	86%	11.4	23.9	110%	10.4	21.3
EPS in EUR	0.20	0.37	86%	0.32	0.67	110%	0.29	0.60
Cash flow summary								
Capex	-3.9	-5.7		-6.9	-8.6		-3.0	-5.9
Net debt (cash)	-18.4	20.6		-18.4	20.6		18.3	18.3
Period inflow (outflow)	13.1	2.2		-6.4	-30.8		4.4	-28.6

Source: Company, Eurobank Equities Research

Group Financial Statements

EURmn	2019	2020	2021e	2022e	2023e
Group P&L					
Sales	600.3	721.4	928.6	997.1	1,065.4
Gross Profit	98.7	115.8	145.2	155.8	166.7
EBITDA	53.4	59.9	76.1	82.3	87.9
change	57.5%	12.2%	27.1%	8.1%	6.8%
EBITDA margin	8.9%	8.3%	8.2%	8.3%	8.2%
EBIT	36.2	42.3	57.6	62.8	68.0
Financial income (expense)	-5.3	-5.8	-6.2	-6.5	-6.8
Exceptionals/other income	-0.8	-1.2	1.8	0.0	0.0
PBT - reported	30.2	35.3	53.3	56.4	61.2
Income tax	-21.9	-18.9	-11.7	-12.4	-13.5
Non-controlling interest	-0.4	-0.4	-0.6	-0.7	-0.8
Net profit - reported	7.9	16.0	40.9	43.3	46.9
EPS - adjusted (EUR)	0.55	0.73	1.14	1.21	1.31
DPS (EUR)	0.14	0.45	0.30	0.33	0.36
Group Cash Flow Statement	2019	2020	2021e	2022e	2023e
EBITDA	53.4	59.9	76.1	82.3	87.9
Change in Working Capital	-7.4	-9.1	-18.3	-8.4	-9.9
Net interest	-5.3	-5.8	-4.9	-5.2	-5.5
Tax	-5.5	-10.3	-11.7	-12.4	-13.5
Other	0.5	-1.4	0.0	0.0	0.0
Operating Cash Flow	35.6	33.3	41.2	56.4	58.9
Capex	-6.7	-25.1	-45.3	-13.3	-14.1
Other investing	-19.3	2.3	5.0	0.0	0.0
Net Investing Cash Flow	-26.0	-22.8	-40.3	-13.3	-14.1
Dividends	-5.0	-16.1	-10.7	-11.8	-13.0
Other (incl. capital repayment of leases)	-9.5	-8.1	-8.0	-8.0	-8.0
Net Debt (cash)	-24.8	-10.2	7.6	-15.7	-39.5
Free Cash Flow (adj.)	19.4	0.1	-12.1	35.1	36.9
Group Balance Sheet	2019	2020	2021e	2022e	2023e
Tangible Assets	68.4	83.2	116.0	120.7	125.7
Intangible Assets	52.5	54.2	54.2	54.2	54.2
Other non-current Assets	48.5	65.3	60.0	59.7	59.4
Non-current Assets	169.4	202.7	230.3	234.6	239.3
Inventories	31.5	43.5	64.4	66.8	71.4
Trade Receivables	81.3	109.0	137.8	150.7	169.7
Other receivables	66.0	51.6	51.6	51.6	51.6
Cash & Equivalents	75.2	96.9	84.0	112.3	121.2
Current Assets	254.0	301.0	337.8	381.4	414.0
Total Assets	423.3	503.7	568.1	616.1	653.2
Shareholder funds	141.7	141.1	168.8	204.4	242.3
Non-controlling interest	1.5	1.6	2.2	2.9	3.7
Total Equity	143.2	142.6	171.0	207.3	246.0
Long-term debt	8.1	62.6	76.6	81.6	66.6
Other long-term liabilities	57.3	55.1	54.8	54.5	54.2
Long Term Liabilities	65.4	117.7	131.4	136.1	120.8
Short-term debt	42.3	24.0	15.0	15.0	15.0
Trade Payables	77.4	97.3	123.7	130.6	139.5
Other current liabilities	95.0	122.0	126.9	127.1	131.9
Current Liabilities	214.7	243.3	265.7	272.7	286.4
Equity & Liabilities	423.3	503.7	568.1	616.1	653.2
Key Financial Ratios	2019	2020	2021e	2022e	2023e
P/E	28.0x	18.1x	12.8x	12.1x	11.2x
P/BV	1.5x	2.0x	3.1x	2.5x	2.1x
EV/EBITDA	5.3x	6.0x	8.0x	7.2x	6.6x
EBIT/Interest expense	6.0x	6.4x	8.3x	8.7x	9.0x
Net Debt (cash)/EBITDA	0.1x	0.2x	0.4x	0.1x	-0.2x
Dividend Yield	2.3%	5.6%	2.0%	2.2%	2.5%
ROE	5.5%	11.2%	23.9%	20.9%	19.1%
Free Cash Flow yield	0.0%	0.8%	-1.4%	6.7%	7.0%
Payout Ratio	63.4%	100.8%	26.2%	27.3%	27.6%

Source: Eurobank Equities Research

Company description

Quest is a tech-oriented holding group active in 5 core segments of the economy via specialized subsidiaries, most of which are among the leaders in their respective sector. Its portfolio spans across segments such as electronic transactions, courier services, trade of IT products, implementation of ICT projects and operation of renewable parks. Its EBITDA mix is relatively balanced across the various segments. Geographically, the group is mainly exposed to Greece (81% of revenues).

Risks and sensitivities

•**Macro:** Given its domestic exposure, Quest is dependent on the Greek macro environment. Any significant decline in economic activity would weigh on performance. More recently, in the aftermath of the pandemic, a new risk has arisen, namely the potential for further lockdowns and new disruptions to the economic activity.

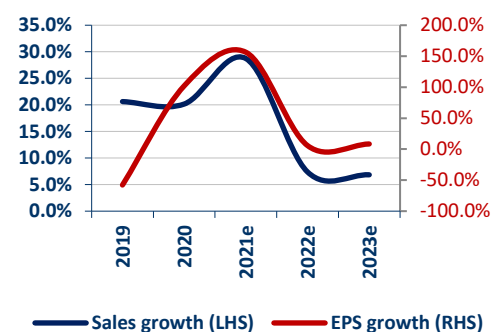
•**Competition:** Competitive intensity can affect pricing/profitability and can be manifested in the guise of last-mile competition from retailers in the courier business, price/changes upon contract renewal in the same segment, market share loss in IT, falling fees in e-payments etc.

•**Structural risks:** Slower penetration of e-payments than our model incorporates and higher customer churn, inability to monetize value added services, tempered e-Commerce growth for courier, customer losses for IT.

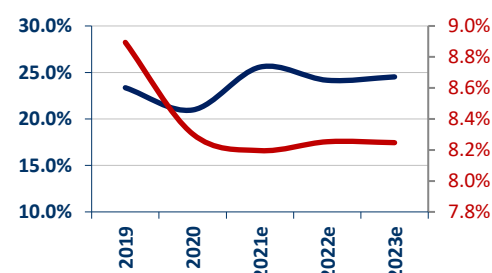
•**Tech-related risks:** Given the technology orientation of the group, there is risk of technology disruption.

•**Sensitivity:** Flexing the WACC utilized in our model by 1% results in a €1.8 per share variation in our calculated fair value.

Sales and EPS growth



Profitability and returns



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This report has been written by Stamatios Draziotis, CFA (Equity Analyst) and Natalia Svyriadi (Equity Analyst).

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Planned Frequency of Updates:

Eurobank Equities Investment Firm S.A. provides updates on Quest based on the terms of the agreement between the two parties and at least but not limited to bi-annually after the publication of financial statements of Quest.

12-month Rating History of Quest

Date	Rating	Stock price	Target price
15/09/2021	Not Rated	€ 14.80	NA
31/05/2021	Not Rated	€ 14.42	NA

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	15	58%	1	7%
Hold	4	15%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	2	8%	0	0%
Not Rated	4	15%	0	0%
Total	26	100%		

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
Restricted:	Under Eurobank Group policy and / or regulations which do not allow ratings
Under Review:	Our estimates, target price and recommendation are currently under review
Not Rated:	Refers to Sponsored Research reports