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QUEST HOLDINGS

Tech fuelling growth

Strong 2023 execution – Quest reported a solid set of 2023 results, with both sales and EBITDA up 16% yoy, driven by better-than-expected top line in commercial activities and IT services, which filtered through to the EBITDA lines. As a result, Quest saw its EBITDA margin unchanged at 7% in 2023. The bottom-line figures were slightly impacted by elevated net financials and an unfavourable base effect (extraordinary gains in 2022), leading net profit to increase by 8.2% yoy at €44.8m in 2023.

Mgt points to positive growth in 2024 – Looking into the current year, Quest mgt expects positive growth in all lines, primarily led by IT services and the courier business, and specifically points to: 1) double digit growth in IT services (backlog >€550m), 2) accelerating growth in courier services (vs +6-7% in 2023), 3) mild growth in commercial activities revenues, on fairly flat EBT, and 4) positive growth in RES division thanks to the new investments. However, growth should be more backloaded (H2'24) as the company is cycling tough comps (govt subsidies last year) and smartphone growth is decelerating.

We raise our group EBITDA forecasts by 5-6%, eyeing c8% 3-year EBITDA CAGR – We have lifted our revenue forecasts by 7-8%, embracing a more aggressive stance in IT services (raising sales by 15-21% in 2024-26e). We also adjust our commercial activities revenues higher based on the better 2023 performance and, similarly, our courier services sales forecasts lower, in the face of the lower price/mix seen in 2023. Against this background, we see revenues at €1,300m in 2024 (+8.6%) rising at 8% CAGR through to 2026e. On the profitability front, we maintain a fairly unchanged EBITDA margin between near 7%, thus envisaging EBITDA of €90m in 2024 (+8% yoy), rising to €104m by 2026e, implying an 8% 3-year CAGR.

Healthy balance sheet – Quest boasts a robust balance sheet (€17m net debt), having comfortably financed the G.E. Dimitriou acquisition (Retail A/C's business) and the Xiaomi expansion abroad. In 2023 Quest experienced increased working capital needs, as new activities ramped up. Looking ahead, we factor in a normalization of the trends, but with pre-tax ROIC remaining above 20% (in sync with history). Quest has implemented investments of more than €100m since 2020, while it has seen its EBITDA grow more than 20% CAGR in the same period. For 2024, mgt pointed to a €40m capex envelope, noting that it has identified some €10m investment opportunities at Unisystems and c€15m at ACS (last mile strengthening), while pencilling in c€12-15m for exploring new acquisitions.

Valuation – We value Quest via a SOTP of its 4 segments to which we apply a 10% holding discount. Our indicative valuation range is set between €6.6 and €8.0 per share. Quest currently trades c7x 2024e EV/EBITDA, namely c10% discount vs its blended peer group. Our indicative baseline intrinsic value estimate effectively values Quest at c9x 12-mth forward EV/EBITDA, a level we reckon is reasonable given the growth profile and the diversified mix. We believe that the current valuation constitutes a compelling risk-reward proposition, underpinned by the solid growth outlook and the prospect for rising shareholder returns (>4% div. yield) and/or M&A-related value crystallization.

Estimates					
(EUR mn)	2022	2023	2024e	2025e	2026e
Sales	1,031.8	1,196.6	1,299.8	1,407.9	1,506.1
EBITDA	72.0	83.3	90.1	97.9	104.3
Net profit - reported	41.4	44.8	47.0	50.7	56.4
EPS (EUR)	0.39	0.41	0.44	0.47	0.53
DPS (EUR)	0.20	0.23	0.25	0.27	0.29

Valuation					
	2022	2023	2024e	2025e	2026e
P/E	12.9x	13.4x	12.1x	11.2x	10.1x
EV/EBITDA	7.4x	7.8x	7.0x	6.4x	5.9x
EBIT/Interest expense	8.4x	5.2x	4.8x	4.6x	5.4x
Dividend Yield	4.0%	4.2%	4.8%	5.1%	5.5%
ROE	17.3%	17.1%	16.5%	16.4%	16.7%

Source: Company, Eurobank Equities Research

Market Cap (mn) **€568.3**
Closing Price (19/04) **€5.30**

Stock Data

Reuters RIC	IQTr.AT
Bloomberg Code	QUEST GA
52 Week High (adj.)	€6.73
52 Week Low (adj.)	€4.81
Abs. performance (1m)	-10.8%
Abs. performance (YTD)	-7.3%
Number of shares	107.2mn
Avg Trading Volume (qrt)	€315k
Est. 3yr EPS CAGR	8.7%
Free Float	24%

Quest Holdings share price



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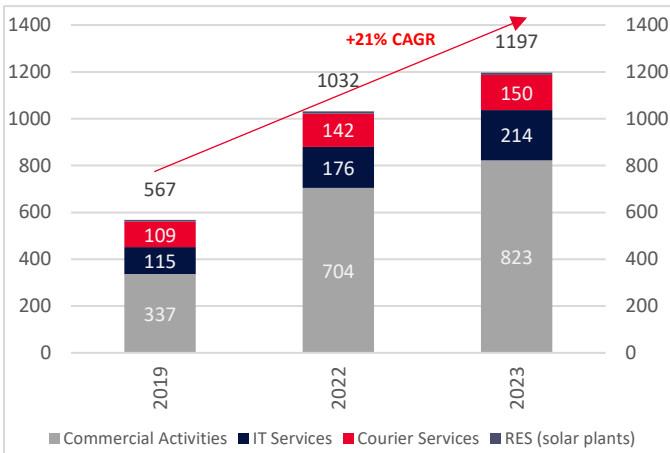
See Appendix for Analyst Certification and important disclosures

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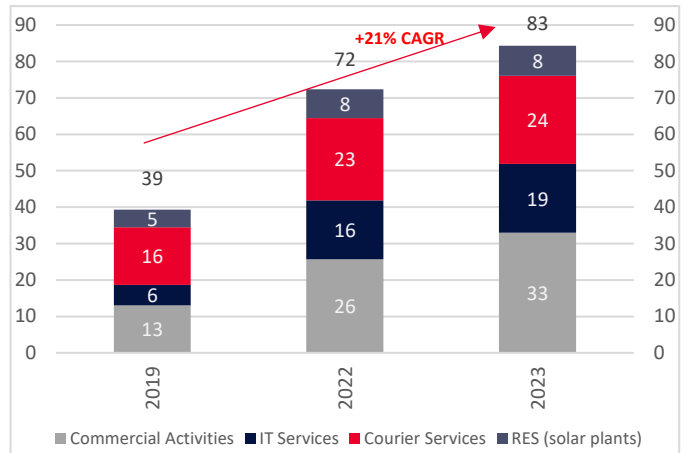
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Thesis in 6 charts

Double digit sales growth sustained in 2023... (€m)

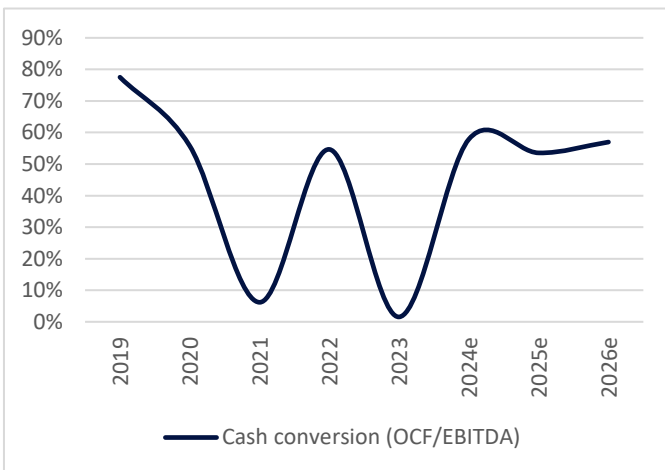


... translated to similar double-digit EBITDA growth, on diversified segmental mix (€m)

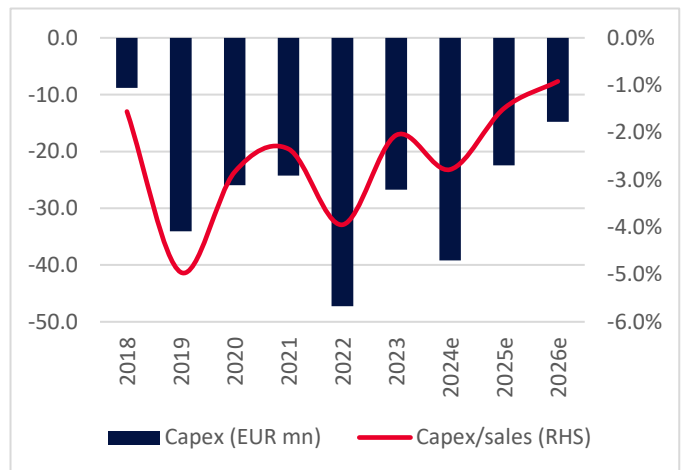


Source: Company, Eurobank Equities Research

Cash conversion OCF/EBITDA >50% on average, with WC being the swing factor across the years

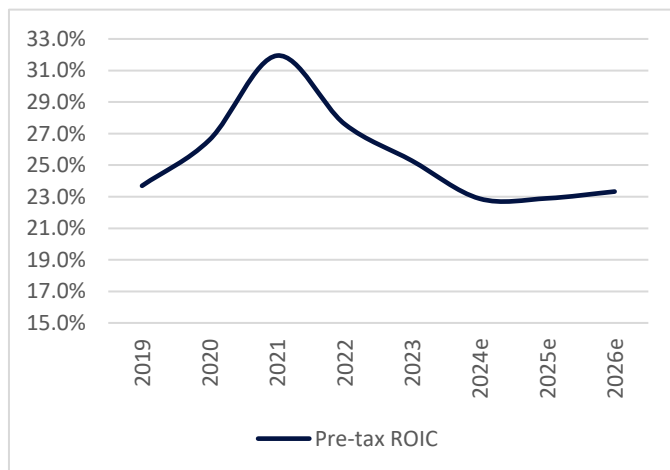


Investment continue, with our numbers envisaging €90min in the next 4 years, following >€160m in 2018-23

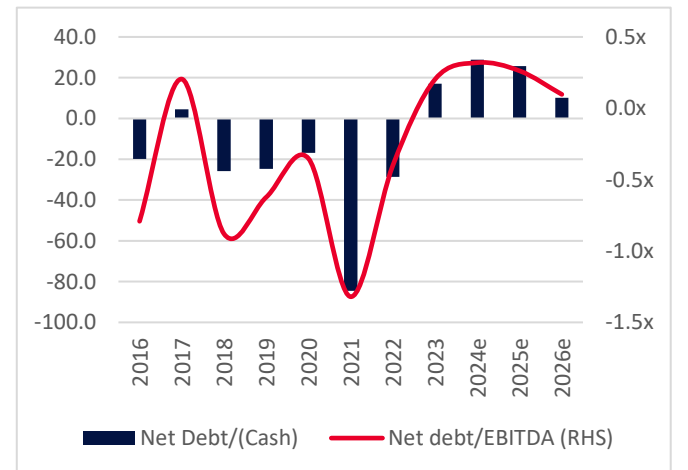


Source: Company, Eurobank Equities Research

Pre-tax ROIC remains >20%



Strong balance sheet with net debt/EBITDA <0.5x (net debt in €m)

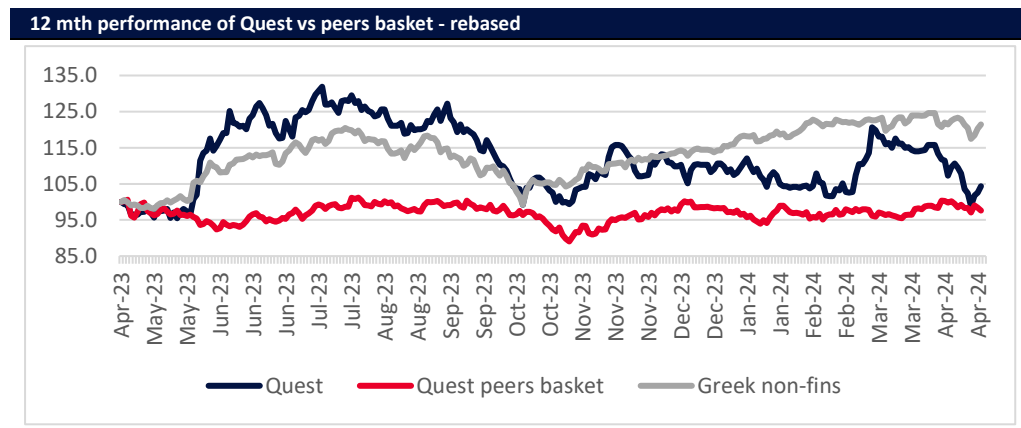


Source: Company, Eurobank Equities Research

Share price has lagged the performance of Greek non-financials in the last 12 months

Performance and valuation

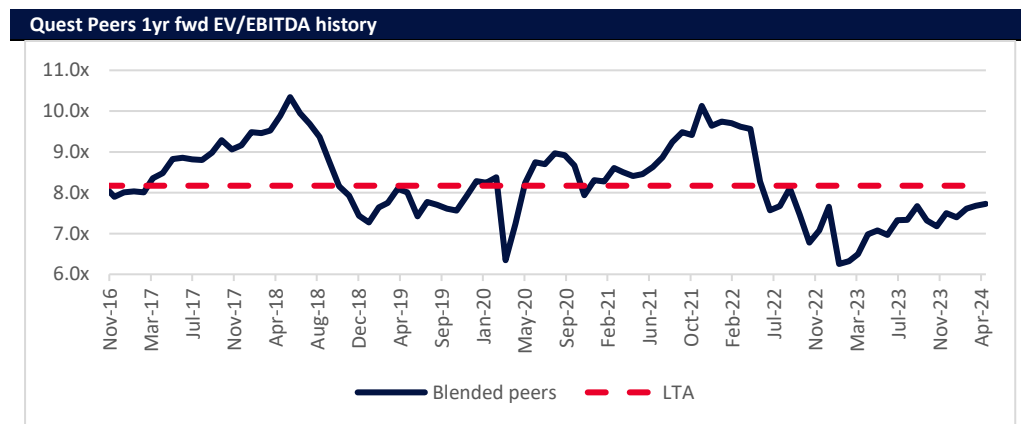
Quest price is down 7% from the beginning of the year, following a +23% total return in 2023. Zooming into the past 12 months, we notice that Quest’s price spiked in Q2 2023, driven by the robust set of Q1’23 results, before trending lower in September 2023, weighed down by a general de-risking. The shares have posted a tepid performance since then, and although they have outperformed a basket of peers in IT and postal services, they have lagged our broad Greek non-financials index (which has gained >20% in the last 12 months). This can be justified by the payback in demand for tech products after COVID, with the shares also affected via the cost of equity channel given Quest’s exposure in the IT sector.



Source: Bloomberg, Eurobank Equities Research

Peers have de-rated from the 2022 recent highs

From a valuation perspective, Quest is currently trading c7x 2024e EV/EBITDA. By comparison, Quest’s peers have historically traded at >8x EV/EBITDA, with valuation peaking in 2018 and 2021 and a de-rating following post April 2022, in the light of payback in goods’ demand weighing on ecommerce and in the face of decelerating consumption trends. This has left the blended group at c8x EV/EBITDA, a small discount vs the long-run valuation.



Source: Bloomberg, Eurobank Equities Research

On a relative basis, Quest is thus trading at c10% discount vs peers’ current valuation, which, in our view points to a compelling relative proposition, given the rising contribution of high growth (RRF driven) IT/tech in the mix.

Currently trading at c10% discount to the blended peer group, with a compelling 8% EBITDA CAGR

In the table below, we cross-check the current valuation of Quest's blended peer group. As a reminder, we have used companies with some degree of product overlap in IT/tech and courier/postal services. As mentioned above, Quest remains lower valued than the blended group, despite enjoying a stronger balance sheet (similar to IT peers) while offering superior dividend yield (similar to the postal sub-group) and expected to grow at c8% 3-year CAGR.

Quest Peer group valuation								
	P/E		EV/EBITDA		DY		Net debt / EBITDA	EBITDA CAGR
	2024e	2025e	2024e	2025e	2024e	2025e	2024e	3-yr
Quest (EEe)	12.1x	11.2x	7.0x	6.4x	5%	5%	0.3x	8%
DEUTSCHE POST	12.5x	10.7x	6.1x	5.6x	5%	5%	1.8x	5%
OESTERREICH.POST	15.6x	14.6x	6.2x	5.9x	6%	6%	0.9x	4%
POSTNL	9.3x	7.7x	3.9x	3.6x	7%	9%	1.8x	9%
ROYAL MAIL	11.2x	7.7x	4.2x	3.6x	4%	5%	2.7x	17%
UPS	17.6x	14.9x	10.7x	9.4x	5%	5%	1.3x	8%
FEDEX	12.6x	11.0x	7.0x	6.5x	2%	2%	1.3x	3%
Postal peers	13.1x	11.1x	6.3x	5.8x	5%	5%	1.7x	6%
SOPRA STERIA GRO	11.0x	9.9x	7.7x	7.2x	2%	3%	0.9x	12%
ADESSO	21.7x	15.0x	7.7x	6.4x	1%	1%	0.8x	24%
CANCOM	19.2x	16.6x	7.8x	7.2x	4%	4%	-0.4x	13%
NNIT	20.5x	13.8x	11.7x	7.9x	2%	3%	-0.3x	69%
IT peers	18.1x	13.8x	8.7x	7.2x	2%	3%	0.3x	19%
Blended peer group	16.6x	13.1x	8.0x	6.8x	3%	3%	0.6x	

Source: Bloomberg, Eurobank Equities Research

SOTP Valuation returns a €7.2 PT; indicative valuation range €6.6-€8 per share

We value Quest using a SOTP valuation in order to capture the dynamics of each segment comprising the holding company. We apply a 10% holding discount and come up with an indicative fair value of €7.2/share (from €7.0 previously) reflecting the modest upgrade to our profit estimates.

Quest Holdings Sum of the parts valuation		
EUR m (unless otherwise stated)		(x) 2024e EBITDA
Commercial Activities	260.5	7.8x
IT Services	280.0	12.6x
Courier Services	296.0	11.1x
RES	81.4	9.2x
Other	-4.2	4.0x
Consolidated EV	913.7	10.1x
Group Net cash (net debt)	-17.0	
Other claims (operating leases etc.)	-35.9	
Total Equity value	860.8	
Number of shares (mn)	107.2	
12-mth fwd fair value per share - ex div (EUR)	8.0 €	
Assumed holding discount	10%	
12-mth PT (EUR)	7.2 €	

Source: Eurobank Equities Research

Our Non-RES valuation, namely for Courier & IT Services and Commercial activities businesses, is predicated on the following assumptions:

- EBIT CAGR of 8% over 2023-2028e, with a respective margin marginally higher at 5.4%
- Terminal growth at 0.95%, mirroring the LT link between consumption and GDP growth,
- Capex as % of sales between 1% to -2.5% of non-Res revenues in the medium term,
- Terminal incremental ROIC at c6%, based on the diverging division dynamics
- Underlying average FCF conversion rate at >55% in the LT term.

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 €6.6 and €8.0 per share after applying a 10% holding discount.

Sensitivity of our calculated group fair value per share (pre holding discount) to the WACC and LT growth assumptions of non-RES segments						
		WACC				
		10.3%	9.8%	9.3%	8.8%	8.3%
Terminal growth	2.0%	7.6	8.1	8.6	9.3	10.0
	1.5%	7.4	7.8	8.3	8.9	9.5
	1.0%	7.2	7.6	8.0	8.5	9.1
	0.5%	7.0	7.4	7.8	8.2	8.8
	-0.1%	6.8	7.2	7.5	8.0	8.5

Source: Eurobank Equities Research

In **RES** we value an increased portfolio of 44MW by 2026e (from 34.8MW as of end-2023), effectively incorporating c10MW incremental capacity. We also recalibrate our assumptions for the remaining life of Quest’s wind and solar portfolio valuing the cash flows generated during a lifespan of 30 years for each installation (no repowering assumed). We maintain our 6.2% discount rate and come up with an estimated EV of €81m.

2023: Mid-teens EBITDA growth underpinned by Commercial activities and IT services

Strong 2023 performance, above expectations ...

... with EBITDA growing mid-teens

Quest reported solid FY'23 results some 5-6% above our forecasts in sales and EBITDA lines and above mgt expectations for similar growth as in 2022 (c12.5%). Quest reported robust top line growth, which filtered through to the EBITDA line (+16% yoy) and a slower +8% yoy in net profit, primarily owing to elevated net financials. Growth was mainly underpinned by double digit growth in commercial activities and IT services EBITDA.

In 2023 group sales shaped at €1,197m up by 16% yoy, driven by significant growth in commercial activities (+17% yoy) and IT services (+22% yoy), with courier service sales lagging behind (+6% yoy) hit by the extraordinary disruption due to flooding during Q3 last year. On the profitability front, Quest group managed to maintain a flat EBITDA margin, despite the pressure witnessed in the gross margin (-0.5pps yoy), thanks to its operating cost initiatives. FY'23 EBITDA grew by a 16% yoy to €83m on a stable margin (7%). Below the EBITDA, Quest recorded increased depreciation costs and elevated net financials, stemming from the commercial activities division, which led group EBT +7% higher yoy to €59m and net profit up by 8% yoy to €44.8m.

Per division:

- **Commercial activities** sales shaped at €823m (+17% yoy and c8% above our forecast), with an EBITDA margin improvement (+30bps yoy) supporting EBITDA which grew 28% yoy (€33m).
- In **IT services** sales advanced 22% yoy to €214m (and 10% above our forecast), with the EBITDA shaping at €18.9m up by a lower +18% yoy, driven by slight margin erosion (-30bps yoy).
- **Courier services** revenues continued growing at a c6% pace in FY'23 (same as in 9-months), reaching €149.7m (c6% below our estimate), with the respective EBITDA up 7% yoy (€24.2m), indicating some 20bps yoy margin rise (16.2%).
- **RES** revenues shaped below our forecast, declining by 2% yoy to €9.9m mainly due to low sunshine rates through the year.

However, FCF ends negative burdened by elevated WC needs, net financials and investments

On the cash flow front, Quest turned to a net debt position in 2023, mainly driven by high working capital requirements (already witnessed in the 9-month period) and investments (€27m), while the group also distributed dividends equal to c€21m. Quest group net debt position stood at €17m at year-end 2023, vs net cash of €28.7m in end-2022, implying outflows of c€46m in the year. Effectively the group generated negative FCF of c€20m in 2023.

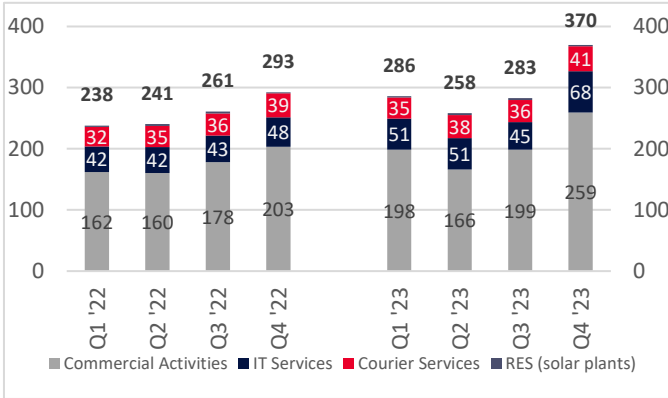
Quest FY'23 results				
EUR m (unless otherwise stated)	FY'22	FY'23	yoy	FY'23 E€e
Group net revenues	1,031.8	1,196.6	16%	1124.8
Commercial Activities	704.1	822.8	17%	760.6
IT Services	175.9	214.2	22%	194.6
Courier Services	141.8	149.7	6%	159.0
RES	10.1	9.9	-2%	10.6
EBITDA	72.0	83.3	16%	79.2
EBITDA margin	7.0%	7.0%	0.0pps	7.0%
Commercial Activities margin	25.7	33.0	28%	28.0
IT Services margin	3.7%	4.0%	0.3pps	3.7%
IT Services margin	16.1	18.9	18%	17.8
IT Services margin	9.2%	8.8%	-0.3pps	9.2%
Courier Services margin	22.6	24.2	7%	24.8
Courier Services margin	15.9%	16.2%	0.2pps	15.6%
RES margin	8.0	8.2	3%	8.4
RES margin	78.7%	83.0%	1.6pps	79.3%
EBT	54.9	58.9	7%	58.1
Net profit	41.4	44.8	8%	44.7
Net debt/(cash)	-28.7	17.0		
Period Inflow/(Outflow)	-56.0	-45.7		

Source: Company, Eurobank Equities Research

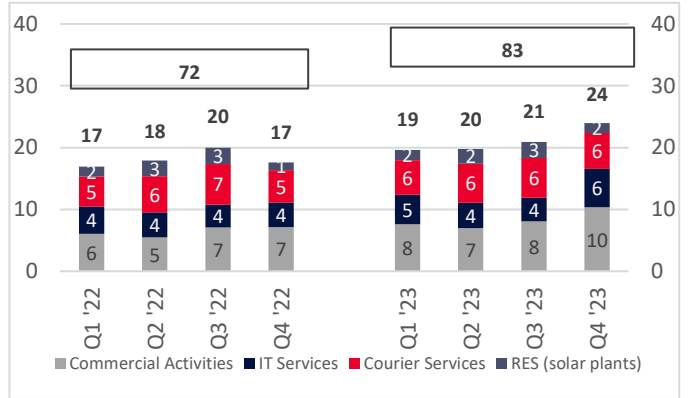
Positive growth in all quarters across core segments, with exceptional Q4 performance

Looking into the quarterly evolution of sales and EBITDA we see positive annual growth across all quarters of 2023 for the group's activities. In the chart below we notice that all divisions have grown both sales and EBITDA, with the three core segments almost equally contributing to the group profitability levels. Q4'23 posted an exceptional performance with sales up 26% yoy and EBITDA and net profit rising >35% yoy. As a reminder Q4 is traditionally a strong quarter for Quest group as it encompasses Black Friday and Xmas sales, which benefit retail and e-commerce, while it is the strongest quarter also in IT services.

Quest Holdings | Quarterly sales evolution 2022 & 2023 (€m)



Quest Holdings | Quarterly EBITDA evolution 2022 & 2023 (€m)

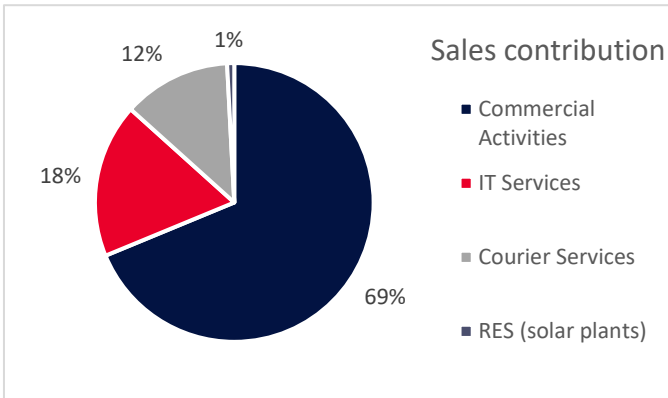


Source: Company, Eurobank Equities Research

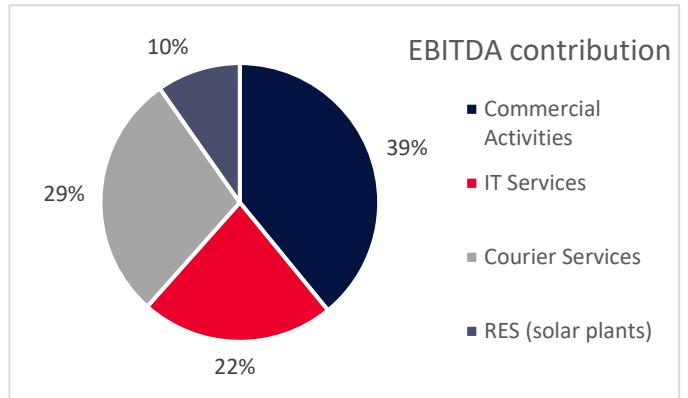
Quest's diversified structure supports growth

Quest enjoys quite balanced profitability (despite the high revenue contribution of commercial activities), as shown in the charts below. We consider this as key merit to the thesis as it allows for diversification.

Quest Holdings | Sales driven by commercial activities in 2023



Quest Holdings | Fairly balanced EBITDA per division in 2023



Source: Company, Eurobank Equities Research

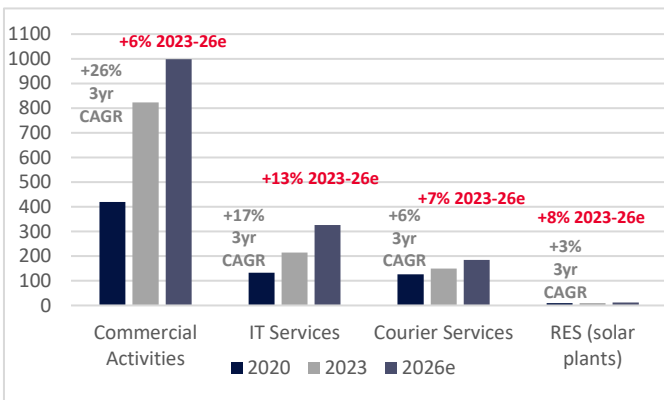
High single-digit 3-yr EBITDA CAGR ahead

We model c8% 2023-26e EBITDA CAGR on similar sales growth

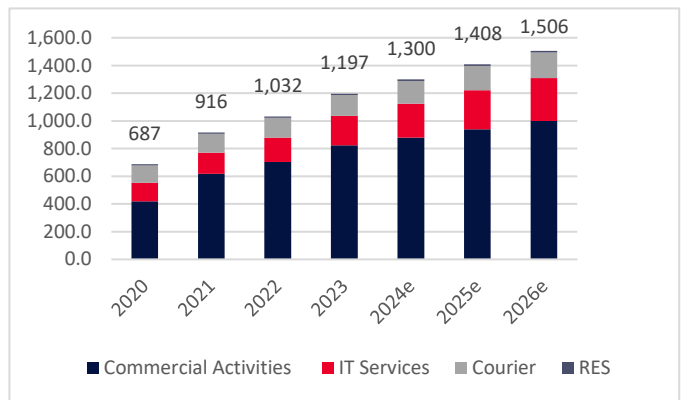
Following the 2023 beat in the sales and EBITDA lines, we raise our forecasts looking ahead into 2024-26e by some 7-8% (sales) and some 5-6% (EBITDA).

In specific, we upgrade our net sales forecast reflecting the better-than-expected top line trends in the commercial products and the IT services divisions through 2023, while we trim our estimate on courier services turnover, starting from a lower base and assuming elevated competitions weighs on pricing. Looking at group level, our 2024e revenue forecast is set at €1,300m, (+8.6% yoy), rising a further 6-8% annually in the midterm. We calculate an 8% 3-year sales CAGR (2023-26e), mainly driven by double digit sales CAGR in IT services and mid-to-high single digit sales CAGR in the commercial activities, courier services and RES segments.

Quest Holdings | 8% group sales CAGR in 2023-26e (€m)



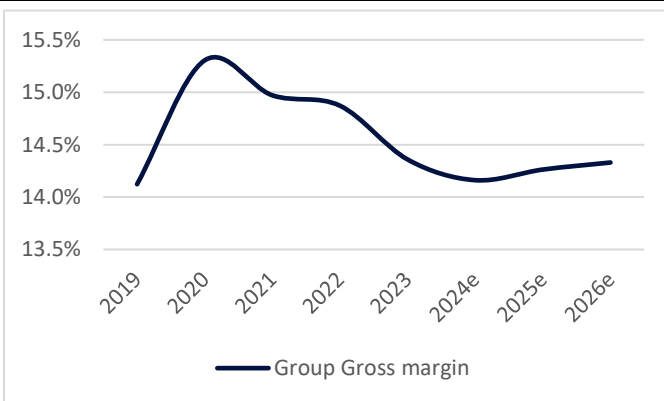
Quest Holdings | Group revenue breakdown shows significance of commercial activities (€m)



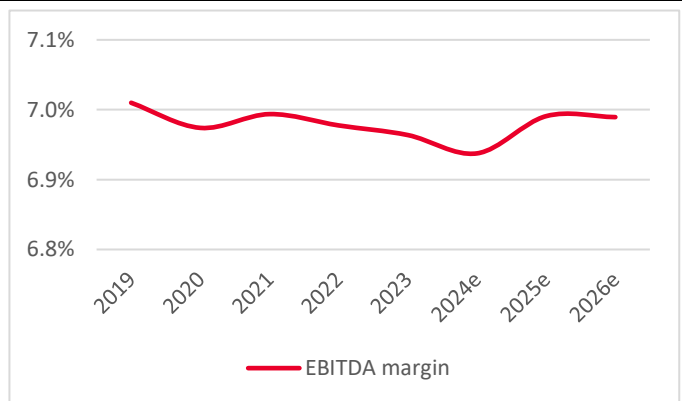
Source: Company, Eurobank Equities Research

On the profitability front, we maintain a fairly flat group gross margin between 14%-14.5% and we also account for operating costs growth in broad sync to sales growth. We thus see our EBITDA margin remaining within the 6.9-7.0% range. Our EBITDA forecasts are adjusted 5-6% higher in 2024-26e (between €90-€104m). This comes mainly as a result of operating leverage, with commercial activities and IT services benefitting the most and courier services EBITDA not materially changed.

Quest Holdings | Gross margin normalizes in mid-14% for the group



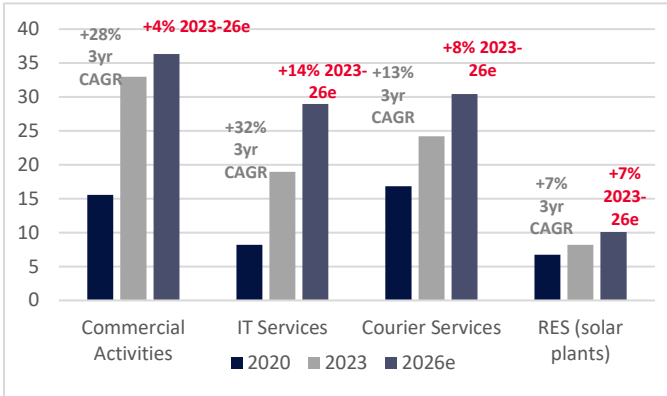
Quest Holdings | EBITDA margin evolution



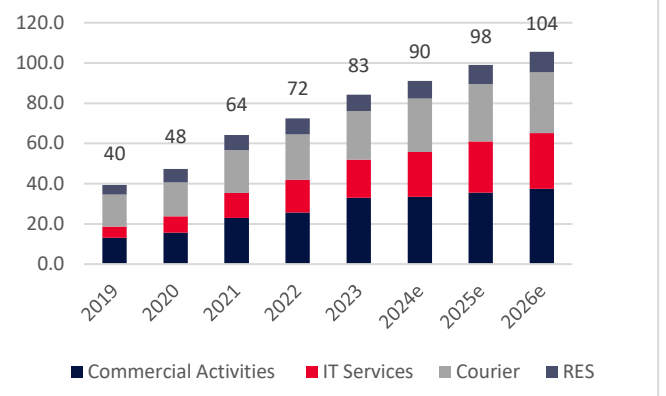
Source: Company, Eurobank Equities Research

We calculate c8% 2023-26e EBITDA CAGR, once again thanks to double digit CAGR in IT services (+13.5%), followed by 7-8% CAGR in courier services and RES and a lower c4% compound growth rate in commercial activities EBITDA. As we have mentioned earlier, profitability is mostly balanced across the 3 main group segments, namely commercial activities, IT services and courier services with the latter enjoying an EBITDA margin >16%, IT services an EBITDA margin of c8-9% and Commercial activities an EBITDA margin of c3.5-4%.

Quest Holdings | 8% EBITDA CAGR 2023-26e (€m)

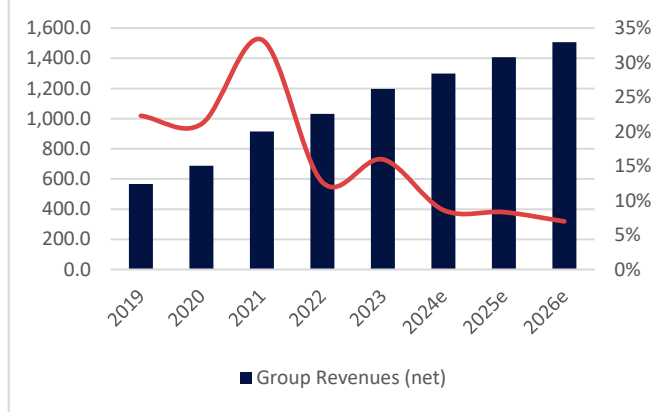


Quest Holdings | EBITDA evolution shows fairly balanced portfolio (€m)

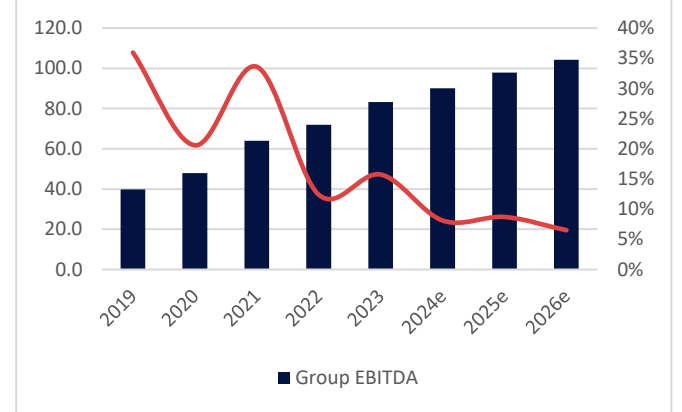


Source: Company, Eurobank Equities Research

Quest Holdings | Group Sales (€m) & growth



Quest Holdings | Group EBITDA (€m) & growth



Source: Company, Eurobank Equities Research

Future growth underpinned by investments, e-Commerce and digitization push

Commercial activities 3-yr EBITDA CAGR at +4%, in an intriguing consumer environment

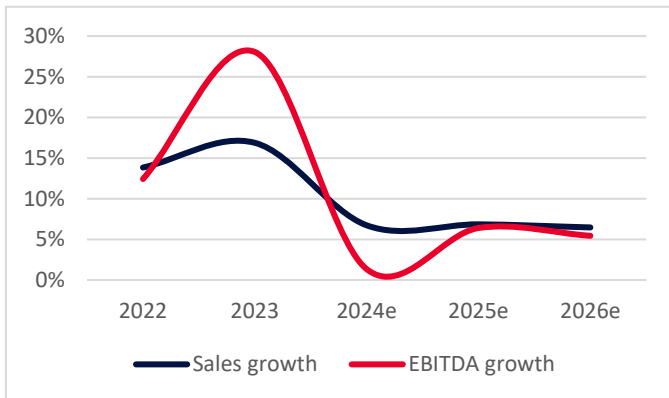
Revisiting shortly the main points of each segment dynamics below we underline: 1) the elevated backlog in the IT services segment (>€550m), of which >€100m in RRF related projects, set to benefit the IT services segment (in the double digit range), 2) rising e-commerce growth, which benefit both courier services and online sales, and 3) ongoing investments in sustainable tech and clima sector products.

1. Commercial Activities

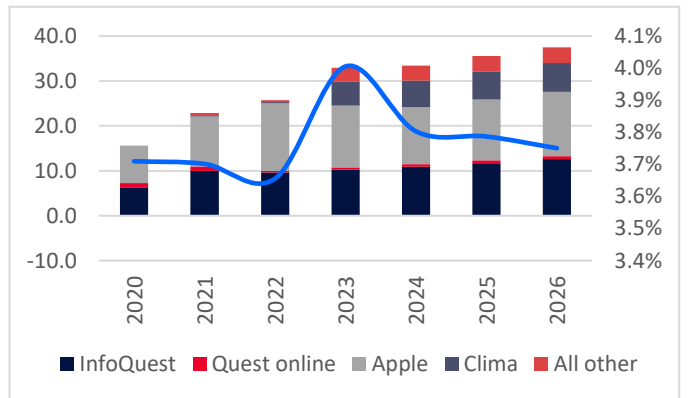
We forecast high single digit growth in revenues from commercial activities, on a marginally lower EBITDA margin, while we also raise our D&A and net financial cost estimates, looking ahead. The EBITDA margin dilution we factor in mainly stems from a lower EBITDA margin in the Apple stores following the changes in mid-2023 (iSquare activity), while we also see a negative base effect from the gvt subsidy program last year on white appliances and the clima sector. In the meantime, the increase in 2023 net debt position, amid a high-interest rate environment and the rise in depreciation costs after the GED acquisition, weigh on our bottom-line forecast. The above translate into a 2024-26e 6% sales CAGR and a 4% EBITDA CAGR.

In specific, we have raised our 2024-26e commercial activities sales forecasts by 7% and our EBITDA forecasts by 10-11% vs our prior forecasts, looking for 2024e sales of €878m, +6.7% yoy, and EBITDA of €33.4m, +1.3% yoy, while we calculate flat EBT at €18.5m. By 2026e we estimate sales will rise c6% annually to €999m, EBITDA c6% annually to €37.5m and EBT c16% annually to €25.2m.

Quest Holdings | Commercial Activities segment sales & EBITDA growth



Quest Holdings | Commercial Activities EBITDA (EUR mn) & margin



Source: Company, Eurobank Equities Research

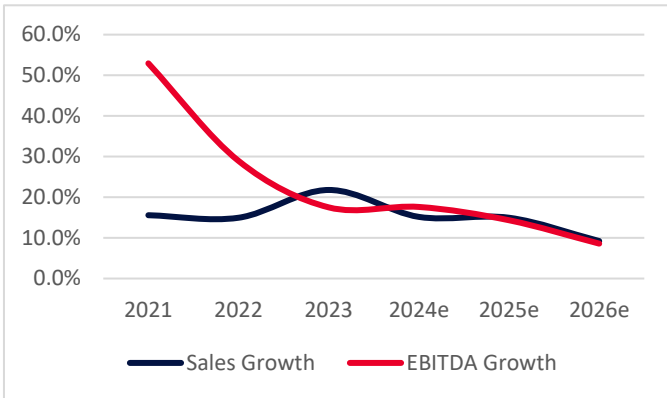
2. IT Services

IT services underpinned by RRF and digitization, with 3-yr EBITDA CAGR >13%

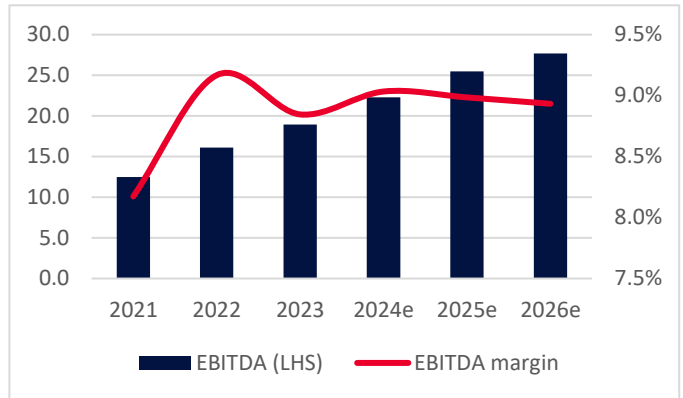
In our IT services forecasts we raise significantly our to line estimates (by c15-21% in 2024-26e), starting from a higher base thanks to the outstanding 2023 performance and the strong backlog to be executed ahead on a per project basis. Of note is that Unisystems currently enjoys a backlog of more than €550m, of which >€100m RRF related pointing to a >10% top line CAGR ahead. In specific we factor in a 15% yoy sales growth in the current and the following year and a more moderate 8-10% growth pace looking ahead. On the cost side we model EBITDA margins between 8.9-9% in 2024-26e, as we assume a rising operating cost environment will be required in order to facilitate project development. We thus raise our EBITDA forecasts by 13-17% in the period eying EBITDA >€22m in 2024e which grows c11% annually on average in 2025-26e.

On our estimates, the IT services 3-year EBITDA CAGR (2023-26e) is 13.5% backed by a c13% sales CAGR in the same period. With net financials fairly low and depreciation costs at constant rates in the IT services segment, we believe the rise will filter through to the bottom line with our EBT forecast shaping at €19.5m in 2024e, and rising to c€25m by 2026e.

Quest Holdings | IT Services segment sales & EBITDA growth



Quest Holdings | IT Services segment EBITDA (EUR mn) & margin



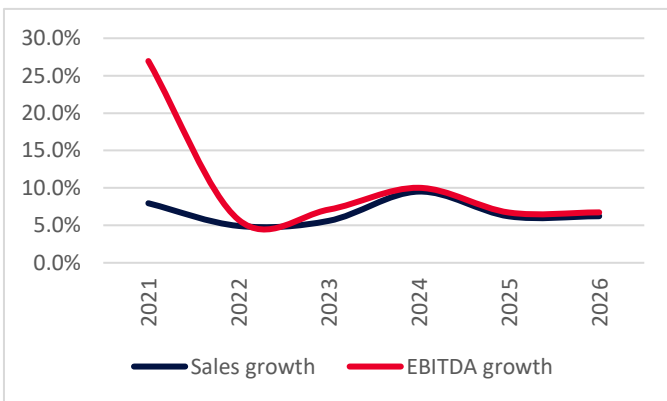
Source: Company, Eurobank Equities Research

3. Courier Services

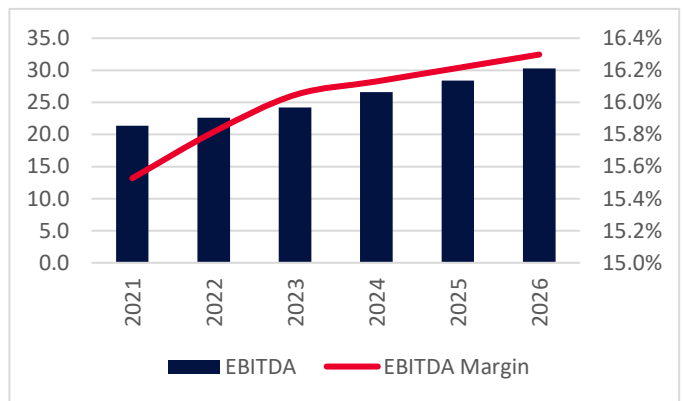
Courier services running at 8% 3-yr EBITDA CAGR on enhanced margins

In the courier segment we anticipate growth in eCommerce will drive courier services top line growth, which we anticipate to grow 7.3% CAGR in the 2023-26e period. Starting off from a lower 2023 (vs our expectations) and accounting also for a negative impact of the highly competitive environment on the pricing/mix, we have trimmed our 2024-26e top line estimates for ACS by c6-9%, eying sales of €164m in 2024 (+9.5% yoy), which rise to €185m by 2026e. Our 2024 forecast also lies in sync with mgt estimate for accelerating yoy sales growth (vs +5.6% yoy in 2023). At the profitability front though we pencil a marginal improvement in the EBITDA margins ahead, as a result of the investments aimed to enhance last mile experience (increasing in-the-box delivery services and last mile cost initiatives), which we believe will filter through to the operating costs. Overall, we have trimmed our ACS EBITDA forecasts by a low 0.4-3%, thus estimating EBITDA of €26.6m (+10% yoy) in 2024, €28m (+7% yoy) in 2025e and €30m (+7% yoy) in 2026e. Looking at the bottom line we factor in c12% yoy growth in EBT (€22m) in the current year and another 7-8% yoy in 2025-26e.

Quest Holdings | ACS segment sales & EBITDA growth



Quest Holdings | ACS segment EBITDA (EUR mn) & margin



Source: Company, Eurobank Equities Research

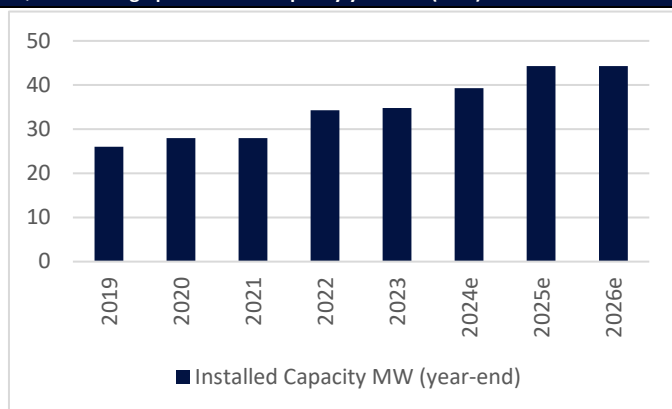
4. RES

We adjust our Solar parks capacity just a tad higher, anticipating 10MW additions in 2024-25e

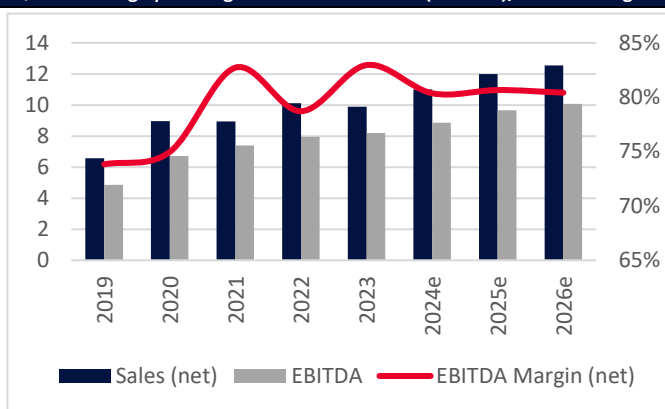
Quest RES Energy division accounts for 10% of the group EBITDA (2023 data) while it is currently operating solar plants of c39MW total installed capacity (34.8MW end-2023). The group is committed to invest in the renewable energy segment, though it is carefully expanding its installed capacity, seeking plants already in the grid (as a result of the lack of capacity for new installations). We assume another 5MW will be added in 2025e, on top of the c5MW added in January 2024, thus leading to a total installed capacity of 44MW by 2026e. We calculate 2024 net revenues of €11m (+11% yoy) and EBITDA of €8.8m, (+7.8% yoy), while we eye short term growth CAGR of c7% in RES EBITDA.

In the long term, we still assume no repowering upon the end of the projects' life cycle, though we have extended the remaining life (to account for the new additions) between 10 and 25 years for the group's installed parks. As such our 10-yr RES EBITDA CAGR is set at c1.5%.

Quest Holdings | Solar Parks capacity year end (MW)



Quest Holdings | RES segment Sales & EBITDA (EUR mn)/EBITDA margin



Source: Company, Eurobank Equities Research

Forecast changes in a snap

We raise our 2024-26e adj. EBITDA forecasts by 5-6%

We summarize below our forecast changes:

1. We have raised our revenue forecasts by 7-8% in the 2024-26e period, led by 1) 7% rise in commercial activities net sales, 2) 15-21% upward revision in IT services net sales, 3) flat to +5% upgrade in our RES sales forecasts and 4) a 6-9% downward revision in our Courier services revenue forecasts for 2024-26e.
2. We eye fairly flat group EBITDA margins in the 6.9-7.0% range, driven by diverging factors, with our group EBITDA seen shaping between €90m and €104m, indicating an 8% CAGR. Per division we have raised our forecasts in commercial activities (+10-11%), IT services (+13-17%) and RES (+2-6%) and trimmed our Courier services EBITDA (-0.4% to -3%).
3. Below the EBITDA line we account for the spike we saw in net financial costs, as a result of the rising net debt (owing at large to commercial activities) and the elevated D&A.
4. We thus come up with lower net profit forecasts (by 5-7% in 2024-26e), estimating net profit of €47m (+6% yoy) in 2024e, €51m (+8% yoy) in 2025e and €56m (+11% yoy) in 2026e.

Our estimate changes are laid out in the table below:

Estimate changes for Quest Holdings			
EURm	2024e	2025e	2026e
New			
Net Sales	1,300	1,408	1,506
EBITDA	90	98	104
Net Income	47	51	56
Old			
Net Sales	1,217	1,309	1,402
EBITDA	85	92	99
Net Income	49	55	60
New vs. Old			
Net Sales	7%	8%	7%
EBITDA	6%	6%	5%
Net Income	-5%	-7%	-5%

Source: Eurobank Equities Research

Group Financial Statements

Quest Holdings, EUR mn					
Group P&L	2022	2023	2024e	2025e	2026e
Sales	1,031.8	1,196.6	1,299.8	1,407.9	1,506.1
Gross Profit	153.5	171.8	184.1	200.8	215.8
EBITDA	72.0	83.3	90.1	97.9	104.3
change	12.4%	15.7%	8.1%	8.7%	6.5%
EBITDA margin	7.0%	7.0%	6.9%	7.0%	6.9%
EBIT	60.2	69.7	75.2	82.1	87.9
Net Financial expense	-6.5	-11.9	-14.2	-16.3	-14.9
Exceptionals / other income	1.1	1.1	0.0	0.0	0.0
PBT	54.9	58.9	61.0	65.8	73.0
Income tax	-12.9	-13.5	-13.4	-14.5	-16.1
Non-controlling interest	-0.6	-0.6	-0.6	-0.6	-0.6
Net Profit – reported	41.4	44.8	47.0	50.7	56.4
EPS - adjusted (EUR)	0.39	0.41	0.44	0.47	0.53
DPS (EUR)	0.20	0.23	0.25	0.27	0.29
Group Cash Flow Statement					
EBITDA adj.	72.0	83.3	90.1	97.9	104.3
Change in Working Capital	-9.5	-53.9	-5.0	-9.4	-8.5
Net Interest	-6.5	-11.9	-12.8	-15.0	-13.6
Tax	-9.6	-9.9	-13.4	-14.5	-16.1
Other	-0.4	0.3	0.0	0.0	0.0
Operating Cash Flow	46.0	7.9	58.8	59.1	66.1
Capex	-22.7	-21.3	-38.0	-21.3	-13.5
Other investing	-3.1	-2.0	0.0	0.0	0.0
Net Investing Cash Flow	-25.8	-23.3	-38.0	-21.3	-13.5
Dividends	-16.1	-21.4	-24.9	-27.0	-29.3
Other (incl. payment of leases)	-60.0	-8.8	-7.7	-7.8	-7.8
Net Debt (cash) - ex. leases	-28.7	17.0	28.8	25.7	10.2
Free Cash Flow (adj.)	16.7	-20.0	14.2	31.3	46.1
Group Balance Sheet					
Tangible Assets	112.5	120.8	152.2	165.8	171.1
Intangible Assets	58.5	66.4	64.5	62.7	61.0
Other non-current Assets	57.1	59.0	59.2	59.3	59.3
Non-current Assets	228.1	246.2	275.9	287.8	291.4
Inventories	77.2	87.6	95.4	103.2	110.3
Trade Receivables	125.2	184.1	195.9	212.2	226.9
Other receivables	93.1	90.0	90.0	90.0	90.0
Cash & Equivalents	168.2	121.1	195.0	211.2	225.9
Current Assets	463.7	482.9	576.3	616.6	653.2
Total Assets	691.9	729.1	852.1	904.4	944.7
Shareholder funds	237.9	260.9	283.0	306.7	333.8
Non-controlling interest	0.8	1.5	2.0	2.6	3.2
Total Equity	238.7	262.3	285.1	309.4	337.0
Long-term debt	74.2	59.6	54.6	49.6	49.6
Other long-term liabilities	50.5	67.9	68.1	68.2	68.2
Long Term Liabilities	124.7	127.5	122.7	117.8	117.8
Short-term debt	65.3	78.5	169.2	187.3	186.5
Trade Payables	102.0	115.8	126.1	136.4	145.8
Other current liabilities	161.1	144.9	149.1	153.5	157.5
Current Liabilities	328.4	339.2	444.3	477.2	489.8
Total Equity & Liabilities	691.9	729.1	852.1	904.4	944.7
Key Financial Ratios					
P/E	12.9x	13.4x	12.1x	11.2x	10.1x
P/BV	2.2x	2.3x	2.0x	1.8x	1.7x
EV/EBITDA	7.4x	7.8x	7.0x	6.4x	5.9x
EBIT/Interest expense	8.4x	5.2x	4.8x	4.6x	5.4x
Net Debt (cash)/EBITDA	-0.4x	0.2x	0.3x	0.3x	0.1x
Dividend Yield	4.0%	4.2%	4.8%	5.1%	5.5%
ROE	17.3%	17.1%	16.5%	16.4%	16.7%
Free Cash Flow yield	2.5%	-3.7%	2.5%	5.5%	8.1%
Payout Ratio	51.8%	55.5%	57.5%	57.7%	55.5%

Source: Eurobank Equities Research

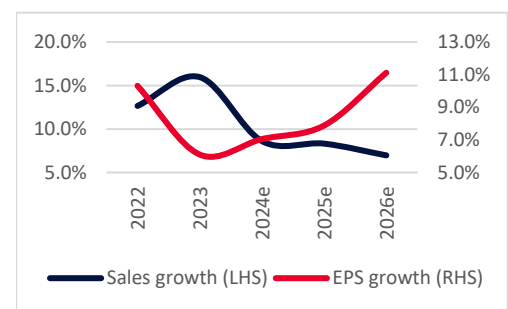
Company description

Quest is a tech-oriented holding group active in 4 core segments via specialized subsidiaries, most of which are among the leaders in their respective sector. Its portfolio spans across segments such as courier services, trade of commercial products (tech/clima), implementation of ICT projects and operation of renewable parks. In Sep' 2021 the group sold its electronic transactions division. Its EBITDA mix is relatively balanced across the various segments. Geographically, the group is mainly exposed to Greece (c80% of revenues).

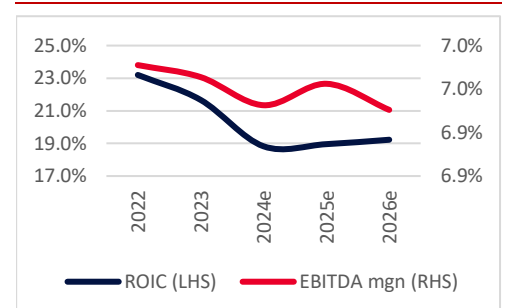
Risks and sensitivities

- **Macro risk:** 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.
- **Sector risk:** 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 €1.0 per share variation in our calculated fair value.

Sales and EPS growth



Profitability and returns



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This report has been submitted to Quest Holdings ("Quest") for review prior to its publication. Some changes have been made by Eurobank Equities S.A. to this report as a result of the review from Quest.

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This report has been written by Natalia Svyrou Svyriadi (Equity Analyst).

Analyst Compensation:

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Natalia Svyriadi did not receive or purchase the shares of Quest prior to a public offering of such shares.

Natalia Svyriadi does not have a significant financial interest in one or more of the financial instruments which are the subject of this report or a significant conflict of interest with respect to the subject companies mentioned in this report a) that are accessible or reasonably expected to be accessible to the persons involved in the preparation of this report or b) known to persons who, although not involved in the preparation of this report, had or could reasonably be expected to have access to this report prior to its dissemination to customers or the public.

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 Holdings:

Date	Rating	Stock price	Target price
22/04/2024	Not Rated	€5.30	-
22/01/2024	Not Rated	€5.29	-
12/05/2023	Not Rated	€4.86	-

EUROBANK Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients		Other Material Investment Services Clients (MISC) – as of 15th Apr 2024	
	Count	Total	Count	Total	Count	Total
Buy	22	69%	3	14%	10	48%
Hold	2	6%	0	0%	1	50%
Sell	0	0%	0	0%	0	0%
Restricted	1	3%	0	0%	1	100%
Under Review	2	6%	1	50%	2	100%
Not Rated	5	16%	2	40%	3	60%
Total	32	100%				

Coverage Universe: A summary of historic ratings for our coverage universe in the last 12 months is available [here](#).

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