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QUEST HOLDINGS

Instilling confidence

Continuing to execute well – Quest’s 9M results affirmed that the group is on solid footing, with growth remaining robust across all segments. Group continuing revenues shaped 40% higher yoy at €637m, with Q3 showcasing moderating – albeit still very strong – trends (revenues +26% from >40% in H1). Operating profit growth was also healthy, with 9M EBITDA +35% yoy and Q3 +15%. Net profit from continuing operations settled at €29.7m in the 9M period, markedly higher yoy, and was further bolstered by the capital gain related to the sale of Cardlink, leading to a reported net profit near €110m (from both continued and discontinued ops).

Minor changes to forecasts; EBIT CAGR in 2021-24e in the mid-to-high single digits

– We have made minor changes to our forecasts, which are now recalibrated to deconsolidate Cardlink and account for the supply chain frictions anticipated in Q4. We now expect FY’21 EBITDA at €59m (ex-Cardlink), indicating Q4’21e negative growth of -5% yoy which looks reasonable, given a strong comparable yoy. Looking ahead, we expect c9% EBITDA growth in 2022 assuming that challenges affecting supply (expected to impact H1’22) will gradually moderate through H2’22, with demand across all the group’s subsidiaries staying robust. Overall, we expect c13% EBITDA CAGR over 2020-23e, underpinned by the digitization push, strong demand for IT products and elevated e-Commerce penetration.

Cardlink sale completed; c€45m return to shareholders, further war chest built

– Quest successfully completed the sale of its subsidiary Cardlink in Q3’21 for c€89m, significantly boosting its liquidity and switching to an €81m net cash position as of Sep 2021. As such, mgt has decided to return half of the proceeds to shareholders in the form of a special dividend (€1.25/share payable in Feb’2022). Balance sheet optionality has thus become more prevalent, in the light of the group’s ample liquidity. Given the solid track record, we reiterate our view that Quest is well placed to deliver additional shareholder value through either heftier cash returns or M&A.

Valuation – Quest shares are c87% above pre-pandemic levels, substantially outperforming Greek non-financials and peers over the last 2 years. From a valuation perspective, we believe the current valuation of <9x 2022e EV/EBITDA constitutes a compelling risk-reward proposition, as we argue there is substantial latent value to be crystallized over time by rising shareholder returns and/or M&A. Our valuation is based on a sum-of-the-parts (SOTP) of the 4 core segments comprising the group to which we apply a 10% holding discount, coming up with an indicative baseline fair value near €18.1/share. We note that this baseline value is on an ex-div basis and now assumes a much higher dividend than before (i.e. it includes the €1.25 special DPS). Excluding the latter, our calculated baseline intrinsic value is seen at €19.4 mirroring our estimate changes and effectively placing the stock at 9.9x 2022e EV/EBITDA, justifiable by the high growth profile.

Estimates					
€ mn	2019	2020	2021e *	2022e *	2023e *
Sales	600.3	721.4	889.2	956.5	1,024.8
EBITDA - adj.	53.4	59.9	59.4	64.8	71.5
Net profit - adj.	7.9	16.0	36.3	39.4	43.8
EPS - adj. (EUR)	0.55	0.73	1.02	1.10	1.23
DPS (EUR)	0.14	0.45	0.30	1.75	0.50

Valuation					
Year to end December	2019	2020	2021e *	2022e *	2023e *
P/E	28.0x	18.1x	16.7x	15.4x	13.9x
EV/EBITDA	5.3x	6.0x	8.9x	8.9x	7.9x
EBIT/Interest Expense	6.0x	6.4x	7.9x	9.3x	9.6x
Dividend Yield	2.3%	5.6%	1.8%	10.3%	2.9%
ROE	5.5%	11.2%	20.7%	25.9%	24.6%

Market Cap (€mn) €607.6
Closing Price (13/12) €17.00

Stock Data

Reuters RIC	IQTr.AT
Bloomberg Code	QUEST GA
52 Week High (adj.)	€17.98
52 Week Low (adj.)	€9.70
Abs. performance (1m)	-2.6%
Abs. performance (YTD)	62.7%
Number of shares	35.7mn
Avg Trading Volume (qrt)	€238k
Est. 3yr EPS CAGR	48.4%
Free Float	25%

Quest Share Price



Analysts

Natalia Svyriadi

Equity Analyst
Tel: +30 210 37 20 257
E-mail: nsvyriadi@eurobankequities.gr

Stamatis Draziotis, CFA

Equity Analyst, Head of Research
Tel: +30 210 37 20 259
E-mail: sdraziotis@eurobankequities.gr

Head of Research

Tel: +30 210 37 20 259

Sales/Trading

Tel: +30 210 37 20 117/168/110

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See Appendix for Analyst Certification and important disclosures.

** Only continuing operations, namely ex-Cardlink*

Investment Case

Revenue CAGR ex Cardlink maintained at 14% driven by IT-related segments

Quest is a tech-oriented holding group active in 4 segments (after the sale of its electronic payments arm Cardlink) via specialized subsidiaries. Its portfolio spans across segments such as courier services, trade of IT products, implementation of ICT projects and operation of renewable parks (RES). The profit mix remains quite balanced, with segmental contribution ranging from 11% (in the case of RES) to 37% (IT products) of group EBITDA. Overall, the group is primed for both cyclical and secular growth catalysts, owing to its product diversification and significant tech-driven digital boost. Post the sale of Cardlink, we forecast revenue CAGR of 14.2% in the 2020-23e period supported by: 1) mid-teens growth in commercial/IT products (driven by unraveling demand for tech and telecom products, share gains for Apple and Xiaomi); 2) high single-digit growth for the courier business (e-Commerce rise, pricing, mix) and 3) low teens growth for the IT services segment (digitalization, share gains).

... translating into c17% 3-year EBIT CAGR

The mid-teens sales growth will translate to c16.7% EBIT CAGR in 2020-23e on our estimate, assuming little-changed operating margins. We expect the courier services segment EBITDA margins to be maintained at the high end of the historic 9-14% range, as cost synergies from the new hub start filtering through on upgraded e-commerce sales prospects, while commercial activities' growth prospects seem supported by sustained demand for IT products, despite supply chain frictions.

Cardlink sale completed bolstering liquidity by c€89m...

Quest successfully completed the sale of its subsidiary Cardlink in Q3'21 for c€89m significantly boosting its liquidity (while also recording a capital gain). Part of the proceeds, namely c€45m will be returned to shareholders in the form of an interim dividend (€1.25/share) in February 2022 (ex-dividend date 1st Feb, payment 7th Feb). The remaining amount will be used to fund the group's investment plans. The disposal allowed the group to crystallize significant value from an investment made in 2015 and to build war chest for future opportunities.

Commitment to growth and investments remains; accretive M&A deals on the table

On the latter, Quest remains committed to constantly exploring growth opportunities, especially given its robust financial position (€81m net cash as of end Sep'21) post the Cardlink sale. As a reminder, the group has already agreed to enter as a strategic investor in the share capital of G.E. Dimitriou SA, a local company which is the exclusive distributor of Toyotomi electrical appliances in Greece (deal still subject to court ratification, since it is predicated on debt restructuring). Irrespective of the conclusion of the transaction, we expect management to continue seeking value-accretive opportunities with potential emphasis on the IT sectors or areas that are "complementary" to Quest's core segments, such as the Intelli Solutions deal (completed recently), which provided the Group's subsidiary Unisystems with firm footing into digital transformation services.

Balance sheet optionality even more prevalent

Balance sheet optionality has become more prevalent, given the group's ample liquidity. This has been manifested recently in the group's decision to use part of the Cardlink disposal proceeds for a special dividend. We reiterate our view that Quest could deliver additional shareholder value through heftier returns to shareholders – assuming no M&A opportunity arises. Our model is predicated on a payout ratio near 39% for 2021-23e on a recurring basis, namely excluding the upcoming €1.25 special DPS, but there is clearly scope for much higher returns given the net cash position.

Valuation still compelling

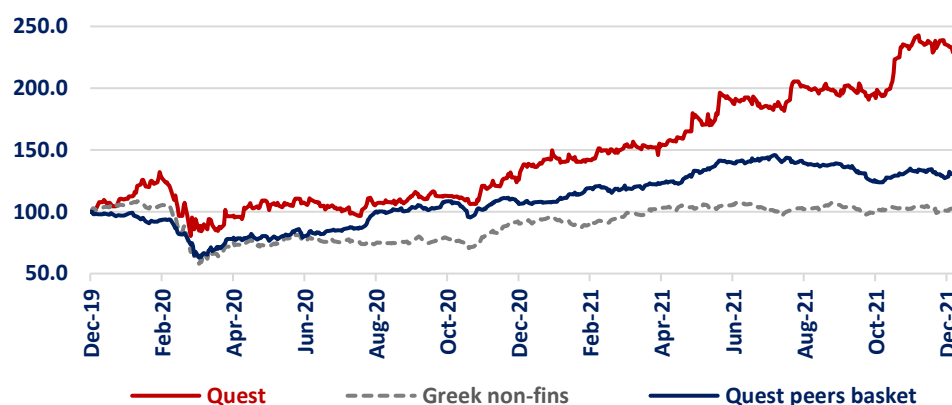
Quest shares are some 87% above pre-pandemic levels (price of 17th Feb. 2020), with the share price growing unequivocally over the last 2 years, substantially outperforming Greek non-financials and peers. The stock's addition to the ATHEX FTSE large cap index as of the latest review (effective after the close of 17th December 2021) is an additional technical driver. From a valuation perspective, we believe the current valuation of c9x 2022e EV/EBITDA constitutes a compelling risk-reward proposition, as we argue there is substantial latent value to be crystallized over time by rising shareholder returns and/or M&A. Our valuation is based on a sum-of-the-parts (SOTP) of the 4 core segments comprising the group to which we apply a 10% holding discount, coming up with an indicative baseline fair value per share near €18.1. We note that this baseline value is on an ex-div basis and now assumes a much higher dividend than before (incl. the €1.25 special DPS). Our baseline valuation effectively values the group at c10x 2022e EV/EBITDA, justifiable by the high growth profile.

Stock continues its stellar performance with the shares now c87% above pre-pandemic levels

Performance and Valuation

Quest's share price has re-entered on an upward trajectory, after having consolidated between May and October 2021. The price has almost tripled since the COVID-induced trough, while standing c87% above its pre-pandemic levels (price of 17th Feb. 2020). In the chart below we contrast Quest's performance against that of other Greek non-financials and a basket of global peers with activities spanning from postal services to IT services/products (e.g. Deutsche Post, UPS, Fedex, Sopra Steria, Adesso etc.). Note that we have adjusted the relevant peer group for the sale of the electronic payments' division, thus removing Nexi and Wordline from the relevant basket. Overall, Quest has outperformed markedly both its peers and Greek non-financials having recently spiked higher (post the sale of Cardlink).

24m performance (rebased) – Quest vs Greek non-financials and peer basket



Source: Eurobank Equities Research, Bloomberg.

Valuation more attractive post the sale of Cardlink

In the table below, we cross-check Quest's current valuation against the selected group of peers. We caveat once again that these are not direct peers but our analysis is mainly aimed at providing some background on the valuation of a broad set of comparable companies with some degree of product overlap. As can be seen below, the sale of Cardlink has made more obvious Quest's valuation attractiveness, as the continuing business – post the disposal of Cardlink – now trades just below 9x EV/EBITDA, namely a discount vs the blended peer group despite Quest's more attractive growth profile and stronger balance sheet.

Peer group valuation								
Stock	Mkt Cap	PE		EV/EBITDA		DPS yield		Net debt/EBITDA
		2021e	2022e	2021e	2022e	2021e	2022e	2021e
DEUTSCHE POST-RG	66,426	13.3x	13.2x	6.8x	6.7x	3%	4%	1.2x
BPOST SA	1,415	6.0x	6.3x	3.1x	3.2x	7%	7%	0.6x
OESTERREICH.POST	2,526	15.6x	16.1x	7.0x	6.9x	5%	5%	-0.6x
POSTNL NV	1,915	8.7x	9.8x	4.6x	5.0x	10%	9%	0.5x
ROYAL MAIL	5,673	7.6x	7.6x	3.9x	3.8x	5%	5%	0.2x
UNITED PARCEL-B	158,951	17.8x	17.1x	12.3x	11.8x	2%	2%	0.8x
FEDEX CORP	56,728	12.2x	11.0x	7.3x	6.5x	1%	1%	1.2x
Postal peers		11.6x	11.6x	6.4x	6.3x	5%	5%	0.6x
SOPRA STERIA GRO	3,226	15.4x	13.0x	7.5x	7.0x	2%	2%	0.6x
ADESSO SE	1,211	26.3x	31.3x	13.7x	14.7x	0%	0%	-0.1x
CANCOM AG	2,365	24.3x	36.8x	15.6x	13.8x	1%	1%	-4.7x
NNIT A/S	364	42.5x	18.2x	10.6x	8.4x	1%	3%	2.1x
IT peers		27.1x	24.8x	11.8x	11.0x	1%	2%	-0.5x
Blended peer group		22.3x	20.3x	10.1x	9.4x	2%	3%	-0.2x
Quest Holdings	608	16.7x	15.4x	8.9x	8.9x	2%	10%	-1.3x

Source: Eurobank Equities Research, Bloomberg.

Valuation ex-Cardlink: SOTP values range between €702-739m (€19.6 -20.7 per share) ex dividend (and pre-holding discount)

We maintain our sum-of-the-parts (SOTP) valuation on Quest group now encompassing 4 core segments, namely ACS (courier), IT services (UniSystems), Commercial Activities – (formerly known as IT products, consisting of InfoQuest, Quest Online, iSquare, iStorm) and RES. As a reminder, Quest group completed in Q3 the sealed agreement with Wordline (announced on 28th May) for the disposal to the latter of its 85% stake in Cardlink. The resulting net inflow (€88.9m) was reflected in Q3 cash flow, thus boosting Quest's net financial position to €81m net cash as of Sep 2021.

Our segmental DCF assumptions are provided below:

- **For the non-RES segments** (Courier, IT Services and Commercial activities) we assume:
 - o a blended 8.8% 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 12.7% 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 c70bps margin expansion vs 2020 levels on a proforma basis. We assume proforma medium-term EBIT growth fades to c5%, just a tad above top line growth.
 - o We use a LT growth rate of 1%, implying reinvestment rate near 12% and incremental ROIC of 8%, 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 c56%, 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 €785m, after reflecting the sale of Cardlink and rolling our numbers to 2022e. We continue applying a 10% holding discount and come up with an indicative fair value of €18.1/share. We note that this is on an ex-div basis, i.e. after the incorporation of a €1.75 dividend per share (including the €1.25 special to be paid in February 2022).

Sum of the parts valuation – proforma for Cardlink disposal		
EURm unless otherwise stated		2022e EBITDA
ACS	288.1	13.6x
RES	85.0	11.4x
IT Services	137.2	10.7x
IT products	193.4	8.5x
Other	2.3	4.0x
Consolidated EV	706.0	10.9x
Net cash (net debt) - post Cardlink sale *	99.6	
- other claims (operating leases etc.)	-20.9	
Total Equity value	784.7	
Number of shares (mn)	35.7	
12m fair value - ex div	20.1 €	
Assumed holding discount	10%	
Fair value - ex div	18.1 €	

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 €19.6 and €20.7 per share.

Sensitivity of our calculated group fair value per share (pre holding discount) to the WACC and LT growth assumptions of non-RES segments						
		WACC				
		9.8%	9.3%	8.8%	8.3%	7.8%
Terminal growth	2.0%	19.39	19.82	20.27	20.73	21.21
	1.5%	19.33	19.76	20.21	20.66	21.14
	1.0%	19.27	19.70	20.14	20.60	21.07
	0.5%	19.21	19.64	20.08	20.53	21.00
	0.0%	19.15	19.58	20.01	20.47	20.94

Source: Eurobank Equities Research

*Minor changes to estimates;
eyeing c14% EBITDA CAGR
between 2020 and 2023e*

Forecasts from continuing operations (ex-Cardlink)

In view of the robust 9M performance we have made minor changes to our forecasts, mainly in the light of the supply chain bottlenecks. Our 2021 estimates remain on the safe side, assuming substantial moderation in Q4'21 run rates (+8% vs +25% in Q3 and 48% in H1), while we are cycling strong Q4'20. Trimming our forecasts for the courier and the IT products divisions, lead our FY'21 EBITDA forecast from continuing operations at €59.4m, +24% yoy, with the respective margin at 6.7% (-0.3pps yoy), while we continue modelling c9% growth in FY'22 (EBITDA of €65m). Overall, we anticipate c14.3% EBITDA CAGR between 2020 and 2023e.

Given the completion of the Cardlink sale in Q3'21, we have deconsolidated the particular activity from our numbers and have restated our operating estimates to reflect solely continuing operations, as per the table below. We also show proforma (ex Cardlink) numbers for years 2019-2020.

Divisional Breakdown – proforma for disposal of Cardlink						
EURm	2019	2020	2021e	2022e	2023e	2024e
Group Sales	567.3	687.2	889.2	956.5	1,024.8	1,066.6
- of which						
ACS	110.3	127.6	134.8	151.4	166.7	176.9
RES	6.8	9.4	9.7	10.2	10.7	10.7
IT Services (Unisystems)	116.2	134.2	158.3	171.1	184.0	194.7
Commercial Activities	379.4	473.2	660.2	703.1	748.3	772.8
Intragroup	-45.4	-57.2	-73.7	-79.3	-85.0	-88.5
Yoy growth in sales						
Group	22%	21%	29%	8%	7%	4%
ACS	8%	16%	6%	12%	10%	6%
RES	197%	40%	3%	5%	5%	0%
IT Services (Unisystems)	29%	15%	18%	8%	8%	6%
Commercial Activities	26%	25%	40%	7%	6%	3%
Group EBITDA	39.8	47.9	59.4	64.8	71.5	76.2
- of which						
ACS	15.8	16.9	18.0	21.2	24.9	27.4
RES	4.9	6.7	7.1	7.5	7.8	7.9
IT Services (Unisystems)	5.6	8.1	11.9	12.9	14.5	16.1
Commercial Activities	13.1	15.6	21.8	22.8	23.7	24.2
Other	0.4	0.6	0.6	0.6	0.6	0.6
EBITDA margins						
Group	7.0%	7.0%	6.7%	6.8%	7.0%	7.1%
ACS	14.3%	13.3%	13.4%	14.0%	14.9%	15.5%
RES	71.8%	71.2%	73.0%	73.1%	73.1%	73.2%
IT Services (Unisystems)	4.9%	6.1%	7.6%	7.5%	7.9%	8.3%
Commercial Activities (ex-IT products)	3.4%	3.3%	3.3%	3.2%	3.2%	3.1%

Source: Company, Eurobank Equities Research

In the table below, we amalgamate the above forecasts into a short P&L showing only continuing operations (ex Cardlink) in the years 2020-23e.

Summary Financials (continuing operations only)				
EURm	2020	2021e	2022e	2023e
Sales	687.0	889.2	956.5	1024.8
Gross profit	96.5	120.4	130.4	140.8
Gross margin	14.0%	13.5%	13.6%	13.7%
- Opex	-48.6	-61.0	-65.6	-69.3
Opex / Sales	7.1%	6.9%	6.9%	6.8%
EBITDA	47.9	59.4	64.8	71.5
- D&A	-9.0	-9.1	-9.1	-9.6
EBIT	39.0	50.3	55.8	61.9
- Financials/Other	-6.7	-3.7	-5.3	-5.7
PBT	32.2	46.6	50.5	56.2
- Tax	-18.4	-10.2	-11.1	-12.4
- Non controlling interests	-0.4	0.0	0.0	0.0
Net income	13.4	36.3	39.4	43.8
EPS	0.37 €	1.02 €	1.10 €	1.23 €
DPS	0.45 €	0.30 €	1.75 €	0.50 €

Source: Company, Eurobank Equities Research

The changes in our estimates stem mainly from the supply chain disruptions which we expect to have a negative impact on Q4'21 and H1'22, while we anticipate a gradual rebound from H2'22 and a recovery in 2023. We summarize our changes in the following table.

Changes in forecasts (continuing operations)			
	2021e	2022e	2023e
New			
Sales	889	956	1025
EBITDA	59	65	72
Net Income	36	39	44
Old			
Sales	888	956	1022
EBITDA	61	67	72
Net Income	38	41	44
new vs old			
Sales	0%	0%	0%
EBITDA	-3%	-3%	0%
Net Income	-4%	-4%	0%

Source: Company, Eurobank Equities Research

Strong set of results, with double digit top line growth and healthy margins maintained

9M'21 results overview

Quest reported 9M sales from continuing operations (namely ex Cardlink) at €637.3m, up 40% yoy, indicating a decelerating pace as anticipated, with Q3 revenue growth at 25% yoy (vs. +48% in H1'21). Continuing ops EBITDA in the 9-months grew 35% yoy to €46.3m with the respective margin at 7.3% (just -0.2pps yoy), also in sync with expectations. Our current FY21e forecasts for €61m EBITDA from continuing ops imply +9% yoy growth in Q4'21e (vs +35% yoy in 9M'21), something we believe is easily reachable.

Per segment, IT products came in slightly above our forecasts with sales continuing strong +57% yoy in the 9-months at €419m and the EBITDA margin sustained at 3.7%. However, we caveat that supply chain challenges could pose some downside risk to this segment in Q4'21e (partly factored in our estimates as we see +12% yoy in the segment Q4 revenues). In the IT and courier services segments revenues grew by 19% yoy (€112m) and 12% yoy (€99m), respectively, with the EBITDA margins as expected, at 7.8% (indicating a slightly 0.3pps decline vs H1' 8.2%) and 15.9%, respectively. There was no major surprise, while it is worth noting that ACS is burdened with increased spending aimed to support the year-end peak demand, along with the initiation of operations of the new hub.

On the profitability front, 9M'21 PBT from continuing operations grew 59% yoy to €37.5m (vs EEe for €37.2m) and net profit stood at €29.7m (vs EEe for €29.5m) up from just €5.8m a year ago (as Q3 last year included one-off taxes of c€11m). Reported group profitability included a positive P&L gain of €85m from the sale of Cardlink and c€2m from the divestment from minority stakes, settling at €110m in the 9-months.

On the cash flow front, the sale of Cardlink (closed on 30th September) naturally aided Q3'21 numbers. The 9M'21 net cash position was substantially boosted to c€81m (vs c€10m net cash in end-FY'20) indicating c€71m net inflows from last year (€102m in Q3 alone) at group level. The group's capex shaped at €13.3m in the 9M, with most of it relating to the new central hub for postal services.

The Group will distribute a gross interim dividend of €44.6m or €1.25 per share (net €1.1875) from the proceeds of Cardlink, as previously announced. The ex-date is set for 1st February 2022 and payment will start on Monday 7th February.

Quest Q3/9M'21 Results overview								
EURm unless otherwise stated	Q3 20	Q3 21	yoy	Q3 21e	9M'20	9M'21	yoy	9M'21e
Group revenues (cont'd only)	168.0	210.8	25%	203.2	455.6	637.3	40%	629.8
- of which:								
IT products	103.9	141.0	36%	135.5	266.5	419.3	57%	413.8
IT Services	30.7	35.1	14%	33.1	93.5	111.7	19%	109.8
Courier Services	30.5	31.9	5%	31.6	87.9	98.6	12%	98.3
RES	2.8	2.8	-1%	2.8	7.4	7.5	1%	7.5
Unallocated	0.1	0.1	-54%	0.1	0.4	0.3		0.3
EBITDA (cont'd only)	12.8	14.8	15%	14.4	34.2	46.4	35%	46.0
EBITDA margin	7.6%	7.0%	-61 bps	7.1%	7.5%	7.3%	-24 bps	7.3%
- of which:								
IT products	3.8	5.0	32%	4.7	9.4	15.7	67%	15.4
IT Services	2.1	2.5	18%	2.6	5.3	8.8	65%	8.9
Courier Services	5.0	5.0	1%	5.1	13.0	15.6	20%	15.7
RES	2.0	2.3	18%	2.0	5.8	6.2	8%	5.9
Other	0.0	-0.1		0.0	0.7	0.0		0.1
Pre-tax Profit (cont'd only)	9.1	11.6	28%	11.3	23.6	37.5	59%	37.2
Pre-tax Profit reported	9.9	89.7		11.5	25.5	120.1		41.8
- Tax	-13.7	-2.4		-2.2	-17.8	-7.8		-7.7
% tax rate	150.7%	20.4%		19.9%	75.5%	20.8%		20.6%
Net profit (contd only)	-4.6	9.3	-300%	9.0	5.8	29.7	414%	29.5
Net profit reported	-4.1	86.0		8.8	7.3	109.9		32.7

Source: Company, Eurobank Equities Research

Group Financial Statements

EUR mn					
Group P&L	2019	2020	2021e *	2022e *	2023e *
Sales	600.3	721.4	889.2	956.5	1,024.8
Gross Profit	98.7	115.8	120.4	130.4	140.8
EBITDA	53.4	59.9	59.4	64.8	71.5
change	57.5%	12.2%	23.9%	9.1%	10.3%
EBITDA margin	8.9%	8.3%	6.7%	6.8%	7.0%
EBIT	36.2	42.3	50.3	55.8	61.9
Financial income (expense)	-5.3	-5.8	-5.6	-5.3	-5.7
Exceptionals/other income	-0.8	-1.2	1.9	0.0	0.0
PBT - reported	30.2	35.3	46.6	50.5	56.2
Income tax	-21.9	-18.9	-10.2	-11.1	-12.4
Non-controlling interest	-0.4	-0.4	0.0	0.0	0.0
Net profit - reported	7.9	16.0	36.3	39.4	43.8
EPS - adjusted (EUR)	0.55	0.73	1.02	1.10	1.23
DPS (EUR)	0.14	0.45	0.30	1.75	0.50
Group Cash Flow Statement	2019	2020	2021e *	2022e *	2023e *
EBITDA	53.4	59.9	59.4	64.8	71.5
Change in Working Capital	-7.4	-9.1	-17.9	-5.5	-6.1
Net interest	-5.3	-5.8	-4.6	-4.3	-4.7
Tax	-5.5	-10.3	-10.2	-11.1	-12.4
Other	0.5	-1.4	0.0	0.0	0.0
Operating Cash Flow	35.6	33.3	26.7	44.0	48.3
Capex	-6.7	-25.1	-22.6	-21.0	-10.5
Other investing	-19.3	2.3	95.0	0.0	0.0
Net Investing Cash Flow	-26.0	-22.8	72.4	-21.0	-10.5
Dividends	-5.0	-16.1	-10.7	-62.5	-17.9
Other (incl. capital repayment of leases)	-5.5	-8.9	-5.6	-5.6	-5.5
Net Debt (cash)	-24.8	-10.2	-99.6	-54.4	-68.9
Free Cash Flow (adj.)	19.4	0.1	93.5	17.4	32.3
Group Balance Sheet	2019	2020	2021e *	2022e *	2023e *
Tangible Assets	68.4	83.2	26.3	44.0	50.7
Intangible Assets	52.5	54.2	33.4	31.9	30.5
Other non-current Assets	48.5	65.3	67.1	68.4	69.5
Non-current Assets	169.4	202.7	126.8	144.3	150.7
Inventories	31.5	43.5	52.7	54.3	58.1
Trade Receivables	81.3	109.0	134.0	144.1	159.5
Other receivables	66.0	51.6	51.6	51.6	51.6
Cash & Equivalents	75.2	96.9	169.3	129.2	128.6
Current Assets	254.0	301.0	407.6	379.3	397.8
Total Assets	423.3	503.7	534.4	523.6	548.6
Shareholder funds	141.7	141.1	174.1	150.6	176.5
Non-controlling interest	1.5	1.6	1.6	1.6	1.6
Total Equity	143.2	142.6	175.6	152.2	178.0
Long-term debt	8.1	62.6	49.7	54.7	39.7
Other long-term liabilities	57.3	55.1	55.5	56.7	57.9
Long Term Liabilities	65.4	117.7	105.2	111.5	97.6
Short-term debt	42.3	24.0	20.0	20.0	20.0
Trade Payables	77.4	97.3	111.6	117.7	125.9
Other current liabilities	95.0	122.0	122.0	122.3	127.0
Current Liabilities	214.7	243.3	253.6	259.9	273.0
Equity & Liabilities	423.3	503.7	534.4	523.6	548.6
Key Financial Ratios	2019	2020	2021e *	2022e *	2023e *
P/E	28.0x	18.1x	16.7x	15.4x	13.9x
P/BV	1.5x	2.0x	3.5x	4.0x	3.4x
EV/EBITDA	5.3x	6.0x	8.9x	8.9x	7.9x
EBIT/Interest expense	6.0x	6.4x	7.9x	9.3x	9.6x
Net Debt (cash)/EBITDA	0.1x	0.2x	-1.3x	-0.5x	-0.6x
Dividend Yield	2.3%	5.6%	1.8%	10.3%	2.9%
ROE	5.5%	11.2%	20.7%	25.9%	24.6%
Free Cash Flow yield	0.0%	0.8%	15.4%	2.9%	5.3%
Payout Ratio	63.4%	100.8%	29.5%	158.8%	40.8%

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 IT products, implementation of ICT projects and operation of renewable parks. Recently 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 (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.

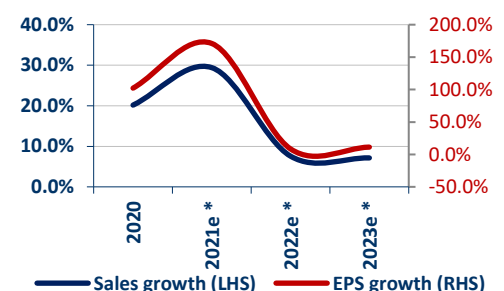
•**Competition:** Competitive intensity can affect pricing/profitability and can be manifested in the guise of last-mile competition from retailers in the courier business, price/changes upon contract renewal in the same segment, market share loss in IT, falling fees in e-payments etc.

•**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.

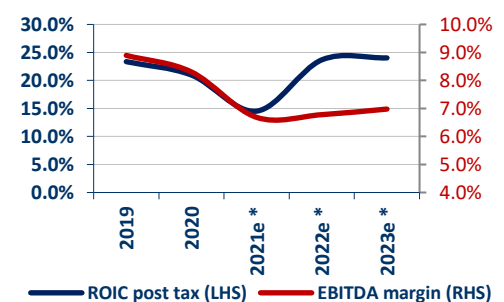
•**Tech-related risks:** Given the technology orientation of the group, there is risk of technology disruption.

•**Sensitivity:** Flexing the WACC utilized in our model by 1% results in a €1.0 per share variation in our calculated fair value.

Sales and EPS growth (only cont'd ops)



Profitability and returns (only cont'd ops)



* Only continuing operations, namely ex Cardlink

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Member of Athens Exchange,
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VAT No: 094543092, Reg. No. 003214701000

10 Filellinon Street
105 57 Athens, Greece
Telephone: +30 210-3720 000
Facsimile: +30 210-3720 001
Website: www.eurobankequities.gr
E-mail: research@eurobankequities.gr

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

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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
14/12/2021	Not Rated	€ 17.00	NA
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	14	52%	1	7%
Hold	5	19%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	2	7%	0	0%
Not Rated	5	19%	0	0%
Total	27	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.
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Not Rated:	Refers to Sponsored Research reports